

# **HUMAN DEVELOPMENT REPORT MONGOLIA 1997**



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**Government of Mongolia**



**United Nations Development  
Programme**

### **Coordinators**

Bayasgalan Bavuasurengiin, Director for Population and Social Welfare (MHSW)

Shahin Yaqub, Specialist in Poverty and Human Development Analysis (UNDP), and lead author MHDR 1997

### **MHDR Office**

Chadraabal Choiijiljavin, Officer (Ministry for Health and Social Welfare), Ganbolormaa Tsedendambaagin, Translator (UNDP). Altankhuyag Chuluunbatin, Officer (Ministry for Health and Social Welfare).

### **Special Advisor**

Pauline Boerma (Oxford University, England)

### **Authors of MHDR Background Papers**

Byambatseren Pandiin (Deputy Chairman, Parliament Secretariat). Dr. Enkhjargal Khorloogiin (Head, Public Health Department MoHSW), Dr. Bakei Agiparin (Head, Economic Theory Dept., Agricultural University). Dr. Batsuur Jamyangiin (Chairman of Committee on State Honors, President's Office). Dr. Chuluunbaatar Gelegpiliin (Director Institute of Philosophy and Sociology, Academy of Sciences), Dr. Dagvadorj Chalkhaajavin (Senior Officer, MoHSW), Batjargal Ayushiin (Ministry for Education), Dr. Enkhbat Chimiddorjiin (ex-Head of Dept. of Youth, MPPL), Dr. Jugder Ovgoni (Maternal & Child Health Research Center), Dr. Shiirevdamba Tserendulamin (Advisor to Minister of Environment and Nature), Dr. Suvd Batin (Director, School of Economic Studies NUM). Dr. Tserenpil Dashnyamin (Economics Professor NUM), Dr. Badrakh Tsendjavain (Senior Officer, SSO), Dr. Balkhaajav Tserenpiliin (Human Research Center), Dr. BegzNadmidiin (Deputy Director, National Institute for Educational Research), Dr. Dolgorjav Yadamin (Head of Department for Public Administration, IAMD), Dr. Mukhar Tsuremiin (Director, Medical Institute), Gankhuyag Dagvin (Director, Population Teaching and Research Center, NUM), Sukhbaatar Oidovin (Senior Researcher, Human Research Center), Sumya Enebishiin (Government Secretariat).

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The children's paintings used throughout this report are from a national poverty-awareness campaign run by Mongolia's Poverty Alleviation Programme Office.

**United Nations Development Programme**  
7 Erkhoo Street, PO Box 49/207  
Ulaanbaatar, Mongolia  
e-mail: [hdr@magicnet.mn](mailto:hdr@magicnet.mn)

**Programme Support**  
Sergelen Dambadarjaagiin (Program Officer, UNDP)

Editing, Layout, and Publicity  
David South (Information Specialist UNDP), Jerry van Mourik (Support Officer to Resident Coordinator UNDP), Mustafa Eric (Research and Training Specialist Press Institute of Mongolia), Sunjidmaa Jambin (Deputy Managing Director Press Institute Mongolia), Zoltuya (Publicity Assistant UNDP), S. Burmaa (Free Press Printing House) M. Badamkhand (Free Press Printing House)

## Abbreviations

HBS	Household Budget Survey
LSMS	Living Standards Measurement Survey
GDP	Gross Domestic Product
GNP	Gross National Product
MPRP	Mongolian People's Revolutionary Party
NGO	Non-Governmental Organization
PAPO	Poverty Alleviation Programme Office
NPAC	National Poverty Alleviation Committee
VAT	Value Added Tax
PTRC	Population Training and Research Centre, Mongolian National University
WHO	World Health Organization
SSO	State Statistical Office
CMEA	Council for Mutual Economic Assistance

## Conversion Table

Average yearly exchange rates

1992-Tg 40 to 1 USD

1993-Tg 295 to 1 USD

1994- Tg 410 to 1 USD

1995-Tg 450 to 1 USD

1996- Tg 575 to 1 USD

1997-Tg 800 to 1 USD

Source: Ministry of Finance

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# Foreword

Mongolia is a country that places "... the supreme objective of building a humane, civil and democratic society" in its Constitution, while upholding the universal concept that puts people at the centre of development when creating an environment for rights, freedom, long life and education.

The new Government of Mongolia, formed following the 1996 Parliamentary elections, considers human development and the quality of life as one of the basic criteria for the development of the country and nation, guided by the concept which says that "the fundamental source of sustainable development and progress is the creative, educated, intellectually and professionally capable citizens of Mongolia."

At this historical juncture of transition from one social system to another, Mongolia is encountering temporary difficulties. Among the urgent social problems, the Government of Mongolia is focussing on the reduction of unemployment and poverty alleviation.

Unemployment and poverty create not only a constant shortage of food and essential needs for the people, but the people are becoming victims of backwardness in education, health, culture and the loss of opportunity to develop.

The Government of Mongolia seriously looks at the prevailing decline in certain aspects, producing a negative impact on human development as a consequence of the unemployment and poverty which have emerged during the transition period. It is imperative to ensure the revival of national production and economy in order to overcome these temporary difficulties in the shortest period of time.

The Government of Mongolia is engaged in the implementation of its goal, designed to ensure a relatively independent economic structure through the introduction of administrative and economic structural reform during 1996-1998, and revival of the national economy and the increase of its self supporting capacity and the creation of well-suited socio-eco-logical and export-oriented structure of economy and ensure self-sufficiency in energy, fuel, essential food items and the development of export production and service sectors in the years 1998-2000.

The Government of Mongolia considers that with the creation of reserves and resources to meet basic food and economic demands of its population through the

revival of national production and economy, it will provide an opportunity for education, health and long life. This means increasing the sphere of human choice and accordingly moving towards the best quality of life step by step. In other words, it means to speed up the process of human development.

The Government of Mongolia has carried out state administrative structural reform and has liberalized prices for energy, coal and petroleum products in order to accomplish its goal. The privatization process has been intensified through the introduction of new methods of privatization and several bold steps have been taken, like the structural changes of commercial banks designed to improve their financial and solvency capacity and the customs zero option for imports have been taken.

The international investors conference on oil, gas and mining was convened in Ulaanbaatar with the objective to create a favourable environment for economic growth.

During the past few years, the economy of the country has entered a path of revival and the foundations have been laid down for further sustainable progress as a result of the dynamic, sometimes difficult changes and reform.

We see these positive changes and humble achievements as an emerging opportunity to speed up the process of human development. In general, Mongolia is a country with a bright future to ensure the growth of its economy, with human development taking the advantage of its vast territory, rich mineral resources and millions of head of livestock.

I have no doubt the present Human Development Report of Mongolia, which has been brought out for the first time in collaboration with the UNDP, will attract the theoretical and practical interest of those employed at policy and decision-making levels and the entire population. Its important ideas and analysis will contribute to their further actions.

The Government of Mongolia expresses its deep gratitude to UNDP for its collaboration to produce the strategically important Report on the Human Development of Mongolia.



Mendsaikhan Enkhbaatar

Prime Minister of Mongolia

Ulaanbaatar  
September 1997



Mongolia has undergone dramatic changes since 1990, with a peaceful transition to democracy, embracing the principles and practices of the free market and moving towards full participation in the global economy.

Among the several dozen transition countries who have moved from a centrally planned system to a market economy in the 1990s, Mongolia stands out in many respects. The shift to democracy has been characterized by voter turnouts of around 90 percent, with citizens covering great distances, sometimes on foot or horseback, to exercise their constitutional right to choose their leaders. The market reforms have been boldly accelerated with liberalization of prices and privatization. High inflation of over 300 per cent per year has been reduced to less than 50 percent per year (expected in 1997). Public sector reform and legal changes are being vigorously pursued by the government in order to give the private sector the best chance of success in a competitive environment.

Reforms in Mongolia, as in other transition countries, have not been without difficulties. The inherited burdens of a weak financial system, inefficient state enterprises and a short history in the free market tradition have compounded the reform challenge. The land-locked situation of Mongolia with a limited transport and communication infrastructure have handicapped the potential response of the economy to the market reforms that have been undertaken.

Some of the immediate human impacts of the transition process have been an increase in unemployment, a deterioration in social service provision and a perceptible increase in poverty. The heavy subsidies from abroad for health and education prior to 1990 were simply unsustainable within present budgetary constraints. There has been a significant increase in human deprivation during the past seven years of transition.

The first Mongolian Human Development Report is designed to address the fundamental issue of the well-being of people in Mongolia. Within the Mongolian people's daily lives, there are a multitude of transition challenges

as individuals try to seize the opportunities of the new economic forces in their society, to find the compromises between the "old ways" and the "new ways", to be part of the process of defining a new social ethic in a democratic society and to choose the basis of their own personal fulfillment.

We hope that from this report the reader may perceive the complexity and huge diversity of transition experiences faced by Mongolians of all walks of life. The document is designed to stimulate debate and reflection on the basic issue of human development as the end objective of progress on the economic, social and environmental fronts. The report builds on the commitments made by Mongolia at the World Summit for Social Development and other related international fora.

This has been a truly collaborative effort involving talented Mongolian experts. Government officials, staff from UNDP and other UN Agencies, and various international experts. We recognize that this first publication on Mongolian human development may have certain shortcomings, but view the report as the start of an important process in measuring Mongolian development in comprehensive human terms. We would welcome inputs and suggestions from readers which could improve future editions of this report.

For a number of years the global Human Development Report has informed, energized and influenced international discussions of development policy. We hope that this first national report on Mongolia will be of value to decision makers in the various arms of government, academia, NGOs, the private sector, and journalism; i.e. any and all individuals focussed on putting human development at the centre of progress in Mongolia. The views of the report are designed to be independent and do not necessarily reflect the views of UNDP, its Executive Board or member governments of UNDP.



Douglas Gardner

Ulaanbaatar  
September  
1997

UNDP Resident Representative and  
United Nations Resident Co-ordinator



# EXECUTIVE SUMMARY

**Mongolia after 1921 shows that - given the political will - a country can promote elements of human development even without great wealth. But important weaknesses existed in the old system. The transition process has released great social forces, many of which could give Mongolians better lives. The report examines these changes, their impact on human well-being, and discusses potential pitfalls of neglecting human development.**

This report is the first assessment of Mongolia's human development situation. All national development efforts need a vision - a focal point to make co-ordinated and sustained improvements - supported with political will and people's participation. This report offers the paradigm of human development as an appropriate vision for Mongolia's efforts to improve the lot of all its people. This is because human development puts people at centre stage in development efforts, making them not only the beneficiaries of the development process but also the agents of change. Human development refers to a process of expanding people's choices. This includes both forming human capabilities to express choice, and enlarging the opportunities to apply those capabilities: through better health, more education, better material living standard, security of livelihoods, political freedoms, environmental care, and equality of opportunities across gender and social status. This report acts as a benchmark for these main human development concerns.

Mongolia's transition involves reconciling the past as well as shaping the future. The experience in Mongolia after 1921 shows that - given the political will - a country can promote elements of human development even without great wealth. In just under 70 years, Mongolia expanded health and education coverage to all its population, even in the furthest outreaches of its vast and sparsely populated territory. By 1990 Mongolia had male and female adult literacy rates of around 96 per cent, had 62 per cent of its population completing at least primary schooling; had brought infant mortality down from extremely high levels to 64 per 1,000 live births; achieved 87 per cent immunization coverage of one-year olds; and increased life expectancy at birth to 62.5 years. And yet even by 1989, Mongolia's GDP/capita was only US\$2,000 (in terms of purchasing power), which ranked 96th in a sample of 160 countries [UNDP global HDR 1992].

## **Embracing Liberalism**

In the 1990s, a profound expansion in political and social freedom has opened up the way to use those capabilities. Entrepreneurial and creative talents have been released; individuals are better able to express choice both

as producers and consumers; civil society is better able to assert itself, choosing both who governs and the details of the government process; the successful enjoy remarkable gains in living standards and material consumption; and there has been a marked cultural and social rejuvenation, as Mongolians of all walks of life recognize a new sense of personal opportunity and liberty. But alongside these changes, the collapse of the centrally planned, socialist system revealed deep weaknesses. Many of the human skills and much of the capital stock developed under the socialist system were ill-suited to a competitive market economy. On top of this, a series of events precipitated a macroeconomic crisis: the withdrawal of Soviet support, the collapse of the CMEA, and the government's concerted effort to privatize state assets and liberalize prices, tariffs, and foreign trade.

In recent years, many of the main macroeconomic indicators have begun to stabilize. Although a number of underlying problems still remain, Mongolia is now well on the way to laying the basis for a strong competitive market economy led by private sector growth. But transition has also brought human development costs. Despite recent increases in GDP per capita, poverty has been increasing in Mongolia and is at its highest level in any year since 1991 (with the exception of 1994, when it surged to 20.2 per cent of the population). Wage rates across the board have been severely eroded and have only recently begun to pick up again. Meanwhile, unemployment has emerged as a major social issue, with a registered unemployment rate of 6.5 per cent in 1996 - unregistered unemployment is thought to be at least as large as registered. The unemployment situation is most serious in the aimag centres, which show few options for economic development and are among the poorest areas of the country. Progressive cutbacks in public expenditure have been accompanied by a decline in the quality of health care and education. The number of school drop-outs and non-enrolments has risen to alarming rates. The social fabric of society has also frayed, with a growing number of street children and increases in criminal behaviour. Other problems of human concern include the deteriorating quality of the environment, both in urban

centres and in rural areas where localized land degradation threatens the prosperity of herders.

The government is aware of these problems and has struggled to deal with them in the context of severe budget restrictions. The continuing instability of the economy has forced the government to give priority to macroeconomic stabilization while intensifying the reforms required to achieve a free and efficient market economy. In pursuing its objectives, difficult choices and trade-offs have had to be made, particularly regarding the short-term human impact of certain macroeconomic policies on the poor.

### No Easy Solutions

The report finds that there are no easy solutions to the task of balancing economic stability and growth with human development objectives. Nevertheless, it also high lights the potential pitfalls of neglecting human development concerns. Although the government's policies may serve to generate more employment and income in the long run, they risk undoing the considerable social achievements of the past 70 years, exposing a generation of Mongolians to a childhood of deprivation. Deterioration of human capital through the running down of health and education services can ultimately constrain growth and defeat the government's original purpose. Widespread poverty can hinder the growth of local markets and depress savings, thereby also constraining growth in the longer term. Moreover, prolonged poverty can lead to social and political unrest that can undermine investors' confidence in the economy. The government has recently been focusing on the issue of raising revenue and has revised its tax laws to broaden the tax base and shift the tax burden from investment to consumption. While likely to increase tax revenues in the future, it could result in a net fall in revenues in the short-term, causing additional hardships for households. The report urges the government to examine innovative ways for revenue generation, to continue its ongoing efforts to strengthen its tax collection capabilities and to improve internal financial management systems.



Decentralization of economic and political power to local governments is a further important strategy designed to improve the efficiency of government and make it more responsive to local needs. While lauding the achievements made so far in this direction, the report finds there is much to be done to strengthen fiscal relations between different levels of government and to devolve real decision-making to lower authorities.

### Recommendations

The report proposes that the government pay closer attention to bringing human development issues centre stage in its national development strategy. While supporting the government's overall policy of economic reform, the report puts forward the two mutually reinforcing strategies of '*human-centered growth*' and '*growth-centered anti-poverty*', to guide Mongolia's continued transition to a market economy. It urges both the foreign aid community and the government to incorporate human development targets in specific development programmes. The report proposes Facing the new realism: running a food stall to pay for university tuition that human-centered growth can be pursued by giving greater attention to the effects policies

have on the poor, while focusing on removing anti-poor biases from improperly functioning or incomplete markets. It also urges the government to continue giving high priority to social expenditure, to strengthen the provision of cost-effective social services and to improve the impact and function of social safety nets.

The report reaffirms the importance of participation, free choice and empowerment as a means by which Mongolians can pursue and realize their aspirations. It acknowledges the great progress made in this direction by Mongolia in recent years. Further strengthening of the government's decentralization process, more support to the growth of civil organizations such as NGOs, and improved access to information, are recommended as ways of further reinforcing this process.

## CHAPTER 1

# MONGOLIA AND HUMAN DEVELOPMENT

The Mongolian people have a long and rich historical heritage, during which time great social and economic advances were made. But from a human development perspective, the period carried the negative hallmarks of feudal order. During the socialist period, Mongolia made rapid advances in the main human development indicators, because the state provided secure livelihoods, and generous and free health and education services. But two human development problems existed: macroeconomic unsustainability of policies, and restrictions on real participation and personal freedoms.



- a legacy of 70 years of Soviet-influenced communism, which gives Mongolia affinity to ex-Soviet republics.

Mongolia today remains a mix of the modern and the ancient. Extraordinary changes have taken place since 1990. Western culture, notions and consumer goods have made their mark on the capital. Mongolia is a youthful country - over 60 per cent of the population is under 30 - and it is in youth culture that the changes are most pronounced, especially in fashion and entertainment. After 70 years of Soviet influence and communist isolationism, Mongolians have access to international media services (cable and satellite TV, newspapers, Internet) and increased international travel, while English has surpassed Russian as the nation's second language. Mongolian values have also changed. A new individualism and consumerism sit alongside traditional respect for the elderly and 'old values' of mutual family assistance. Mongolia boasts a functioning stock exchange, while many still conduct trade by barter. It remains to be seen how these tensions will play out as Mongolia continues to come under the influence of a global culture.

Despite the wrenching economic, political and social changes that have occurred since 1990, Mongolians still hold an enduring attachment to ancient lifestyles, most pronounced in the resurrection of the romantic ideal of the Mongol warrior. Long dismissed as feudal exploitation by communist ideology, the history of Chingis Khan and his descendents re-emerged as a rallying cry for a nation seeking a new identity. In many other countries, rural populations are regarded as backward and unsophisticated by urban dwellers, and rural associations are disowned. Yet urban Mongolians venerate the rural lifestyle, and retain very firm cultural and economic links to the nomadic population. Even today, it is not out of place to find a nomad from the Gobi passing through Ulaanbaatar's streets with camels and livestock in tow. Such links have been vital during the hardships of transition.

### 1.1 Introduction.

Mongolia is a large country in the Central Asian steppes, land-locked by two other huge countries - Russia and China. Other features shape development in Mongolia:

- a very low population density of 15 per 1,000 hectares, in an otherwise highly populous continent; with weak infrastructure, this implies large transport and communication costs;

- high urbanization - nearly one-third of the population live in the capital city, another third in 21 towns or aimag (provincial) centres, spread across a vast territory. The balance are scattered in hundreds of small hamlets or live as nomads;

- high literacy in a largely illiterate continent - literacy rates amongst those over 15 years of age in 1994 in China was 81 per cent, Bangladesh 37 per cent, and Mongolia 96 per cent;

- average life expectancy of 64 years, which is higher than countries of similar GDP levels;

- mineral and extensive livestock dependency, making Mongolia more akin to a country like Botswana, than monsoon Asian countries;

- severe continental climate - with temperatures ranging from +30°C to -30°C - and low precipitation;

## HUMAN DEVELOPMENT

### CONCEPT

The fundamental expression of human development is that people become the centre of a country's development efforts. This includes three core themes: I/all people should have the opportunity to enjoy the fruits of development, not just a privileged few; II all people should have the opportunity to act as the agents of change for development; 3/ all this should be achieved within a sustainable framework. Thus development should lead to healthier lives, intellectual development, and adequate and stable satisfaction of material needs. Nutrition, food security, health care, morbidity, mortality, formal and non-formal schooling, skills training, poverty, and unemployment are key issues against which to assess whether the fruits of development are being enjoyed widely. As the term implies, human development is about making development subservient to the needs of people, so that they are creative, active and able to express their own individual talents and choices. Democratization, gender discrimination, personal freedoms, government decentralization, civil society, and social fabric are key issues reflecting participation and inclusion within a society. Finally, if human development is pursued without attention to its sustainability, it not only risks grinding to a halt but also endangers the opportunities available to the next generation, through the burdens of excessive debt/deficits and environmental abuse. Macroeconomic growth pays for human development, and the sustainability of growth depends on macroeconomic stability and management; and natural and urban environmental issues affect current human development, as well as the prospects for future development.

### 1.2 Historical Snap-shot

For the purposes of this report, Mongolian human development may conveniently be split into three phases, relating to changes in the social organization of production - feudalism, socialism, and capitalism.

Prior to the ascendancy of the Mongolian Empire, the medieval history of Central Asia and China was characterized by instability and shifting power balances between different Mongol and non-Mongol nomadic pastoralists and sedentary agriculturists [Gilberg and Svantesson 1996]. Chingis Khan made the first attempt at forging a coherent Mongol nation in 1206. Expansionist military campaigns continued for about a century, reaching into

China, Russia, Central Asia, Eastern Europe, the Middle East and Southeast Asia. Chingis Khan's grandson Kublai Khan, consolidated the empire from Beijing during the Yuan Dynasty. This lasted for a century until the 1380s. For the next three centuries the Mongols remained independent, but retreated to their ancestral lands in the face of other powers (the Ming Dynasty, Russians, and Manchus). From the 1680s the Manchus began to conquer the Mongols, and by the 1730s the Mongols were defeated. For the first time a distinction was made between Inner Mongolia (with increasing Chinese immigration) and Outer Mongolia. In 1911 when the Manchu's Qing Dynasty collapsed, Outer Mongolia claimed independence, establishing the borders of modern Mongolia. Inner Mongolia remains to this day part of China.

The Mongol Empire at its zenith was the largest the world has seen, and brought many advances to the Mongol tribes it represented. An efficient communications system was set-up using dispatch riders, access to water was improved through wells and irrigation systems, money was introduced for the first time, and the knowledge of Mongols increased with contact with other peoples. The spoils of war from a huge empire enriched the Mongol rulers. Yet characteristic of the period, the general populace experienced miserable levels of human development, regardless of whether under Mongol rule or not. Improvements in the census and registration system allowed more effective taxation and military conscription, which fuelled the military campaigns. The seven centuries until the end of Manchu rule represented institutionalized feudal exploitation of the people, and the absence of political and social rights. "The Mongolian people were divided into rich and poor, and according to the rules of the time the rich ruled over the poor. The poor used to agree with their destinies thinking that being a rich or a poor is a matter of the will of God" [Balhaajav 1994]. Freedom of movement was denied, as subjects were required to obtain the permission of the local chief ('noyon') to leave their administrative area. During the Manchu period, serfdom and ownership of people was introduced. Manchu rule from the 1800s became increasingly despotic, combining exploitative taxation with brutal punishment. Poverty, disease, and a very high proportion of celibate Buddhists amongst the male population, led to a declining population size - recorded as 547,000 in 1918. By the end of Manchu rule, records show great wealth inequality, with a feudal lord owning on average 2,500 cattle, and a herder on average 60 head of cattle. Monasteries owned much of the wealth, and as late as 1934 the income of the Buddhist establishment was almost as much as that of the state [Gilberg and Svantesson 1996]. About 20 per cent of the cattle was owned by the richest 6 per cent of the population, 50 per cent was shared by the poorest 90 per cent, and the remaining 30 per cent was owned by the monasteries. Only 1 per cent of the population could read and write and only 1.5 per cent of children went to school [Balhaajav 1994].



### 1.3 Socialist Period

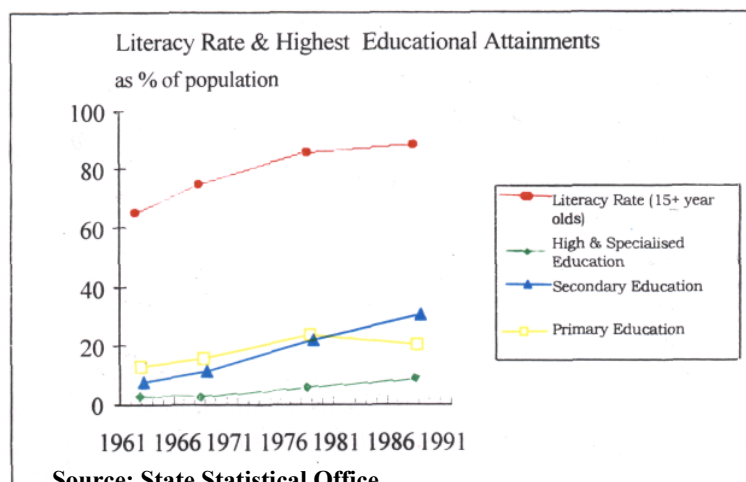
Mongolian independence, declared in 1911, came under attack in 1919 when the Chinese Republicans invaded, followed by the Tsarist Russian army. With Soviet help, Mongolian communists defeated these forces in 1921. In 1924 the Mongolian People's Republic was declared (after a brief period of constitutional monarchy). Thus began the communist experiment in Mongolia.

For most human indicators Mongolia made rapid advances, despite low national income. In terms of the three core components of human development - basic material well-being, health and education - the improvements for all Mongolians over the period 1921-90 were remarkable. These improvements were broad based, and very much included rural populations. This latter fact is an important achievement considering Mongolia's geographical size and population spread, and reflected Mongolia's commitment to expand health and education services to the remotest rural areas. The socialist system offered material security through a system of untargeted price subsidies and transfers.

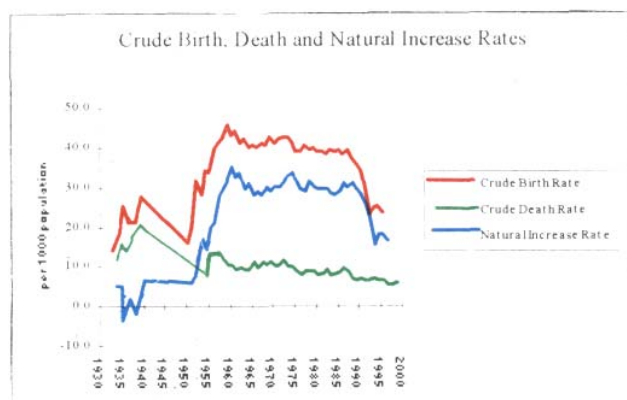
Literacy campaigns were started in the 1920s, universal primary education was promoted since the 1940s, and mandatory secondary education was introduced since 1961. The numbers of schools and graduates increased rapidly at all levels of schooling. Between 1940 and 1990, at the primary and secondary level (ages 8 - 18 years), the number of schools doubled from 331 to 634, teachers increased by seven-fold from 2,700 to 20,600 and students by nearly twenty-fold from 24,300 to 440,900. By 1990, 15 per cent of the population over ten years old had completed secondary school, 30 per cent primary, and nearly all the population over ten years of age was reported as being literate (see graph). A notable achievement was the introduction and expansion of kindergarten opportunities, and the kindergarten gross enrolment ratio was around 30 per cent in 1990.

Before 1921 there was no modern medicine, and people relied on traditional healers. Mortality around that time was high, with 16-19 per cent of mothers dying at childbirth, 50 per cent of infants dying before their first birthday, and 40 per cent of the adult population being affected by sexually transmitted diseases. This was reflected in a stagnant natural increase of the population, where about as many deaths occurred as births (see graph).

The health system was expanded in terms of medical personnel and service points, especially hospitals. In all of Mongolia, there were 2 doctors and 25 hospital beds in 1925. Between 1940 and 1990 the number of doctors per 10,000 people increased from 1 to 29, and the number of hospital beds per 10,000 people from 13 to 126.



The share of female doctors in the total increased from 42 per cent in 1965 to 71 per cent in 1990. Free health care was offered to all people. Maternal mortality fell from around 172 to about 119 per 100,000 live births between 1983 and 1990. The total number of under-three year old deaths was cut from 2,892 in 1983 to 2,019 in 1990. Infant mortality was cut from 78.7 to 64.1 per 1,000 live births between 1969 and 1989.



The communist period diversified the economy, expanding the industrial and crops sectors from very low levels. The share of industry in gross social product increased from 12.7 per cent in 1940 to 49 per cent in 1990, during which time the share of agriculture fell from 61 per cent to 20 per cent. Between 1940-90 the crops sector grew in real terms from Tg 3.4 million to Tg 700.2 million (1986 prices), increasing the crop-sector share in

total agricultural output from 0.4 per cent to 27 per cent. Livestock production was collectivized, by force in the 1940s, and then through incentives in the 1950s. The crops and livestock processing sectors were organized into state farms and mechanized. Considerable structural changes in employment occurred. Between 1960-90, the share of agricultural employment fell from 61 per cent to 29 per cent of total employment. During this period, industrial employment rose from 12 per cent to 19 per cent, health sector employment from 3 per cent to 7 per cent, and education sector employment from 4 per cent to 12 per cent. Employment increased from 242,800 in 1940 to 649,700 in 1990.

Wages were highest in administrative posts and lowest in agriculture (about two-thirds of administrative wages in 1990). There was little structural shift in the wage pattern except for rapidly rising industrial wages relative to others; and between 1960-90 wages increased by 50 per cent on average [Asian Development Bank 1992]. Consumer prices hardly changed between 1960-90. These broad-based real wage increases led to high income equality. Real wage increases to some extent overstate increases in consumption by households, since increases in real purchasing power (under artificially depressed prices) exceeded the availability of goods. Therefore, the privileged access to goods of the nomenclature worsened consumption distribution (than might have been supposed by the income distribution), although compared to international levels, Mongolia at the start of transition was a relatively egalitarian country.

Between 1980-90 real GDP/capita increased on average by 2.7 per cent per annum, from Tg 77,139 in 1980 to Tg 100,530 in 1990 (in 1993 prices). Annual GDP growth rates were consistently above 4 per cent until 1990, when they turned negative. As in most socialist countries, Mongolian national accounts were based on the Material Product System. Adjusting Net Material Product (which is mainly GDP without depreciation, and value added by service sectors and government) to GNP is complicated by the lack of estimates of net factor incomes abroad (dividends, remittances, interest payments, etc.). Since these are considered to be a large net outflow, GDP overstates GNP for the period. Growth in GDP was based on high investment rates (45-50 per cent of GDP), financed much more by foreign funds (30-35 per cent of GDP) than domestic savings. Household savings were very low, typically under 2 per cent of total income, and aggregate consumption ratios were very high. Large

investment rates and yet modest output growth reflected low productivity of capital, and inefficiency.

The impressive development of the social sectors was financed entirely by the state. Between 1975-90, around 40 per cent of government expenditure was devoted to social sectors (education, health, culture and social welfare). State enterprises undertook additional social development expenditures from their own funds. Expenditures were maintained despite continued budget deficits and external imbalances. Budget deficits accounted for 3.9 per cent of national income in 1975, 8.7 per cent in 1980, and 17.8 per cent in 1990. In 1990, one-fifth of the total budget expenditure was deficit financed. The trade deficit increased from \$145 million in 1980 to \$263 million in 1990 (current prices). These imbalances were sustained by foreign borrowing and loans, mainly from the Soviet Union. Ultimately, they proved to be unsustainable.

Human development, properly understood as not only an expansion of capabilities but also *the creation of the environment to use those capabilities*, was only partially addressed under the communist rule. One major criticism of the communist era from a human development perspective is that the opportunities for people to use their capabilities were restricted through social and political control. Another was that it proved to be economically unsustainable and inefficient. What was practiced was human resource or human capital development, which for example, considers improvements in the health and education of people as a *means* to promoting economic development. People were treated as passive recipients, by a paternalistic state charged with an ideological duty to feed, clothe, redistribute, etc. There was little scope for people to participate in the basic decisions affecting their lives.



## TRENDS UNDER TRANSITION

Though some way to go, the economy is looking in better shape than in the early 1990s. However economic reforms have hit households hard and resulted in rising poverty, reductions in basic consumption, cuts in safety nets and social sector services, and the emergence of children in deprived circumstances. Adjustments at the macroeconomic level have been paralleled by harder adjustments at the household level.



Soviet finance disappeared, international terms of trade deteriorated, foreign exchange reserves dwindled, imports were cut by two-thirds and exports fell by half.

Yet whilst real GDP per capita contracted by 8.7 per cent per year between 1990-93, it has grown by 2.8 per cent between 1994-96. The annual rate of inflation has been reduced from a peak of 325 per cent in 1992 to 53 per cent in 1996. Large trade deficits have been removed, though this was partly due to 10 favourable global commodity prices. A more realistic ex-

## 2.1 Introduction

In several respects Mongolia may have already faced the very worst of its transition. The huge macroeconomic contraction - almost double that experienced by the United States during the Great Depression of the 1930s [Boone 1994] - and the major dislocations in the economy, have given way to positive growth rates since 1994. The major political uncertainties and potential for continued strife at the start of transition have disappeared, and there exists stable and secure institutions of government and democratization. That Mongolia did not slump into economic and social anarchy, as has occurred in many transition and developing countries under severe stress, is a reflection of the character of its people, their continued respect for sound governance, and the pragmatism of political leaders of all persuasions. This has allowed some - not all - households to recover from the severe hardships of the early 1990s, and enjoy increasing quality of life.

### Achievements

Mongolia has done remarkably well to show such positive signs in such a relatively short period. Within a matter of months of the socialist system unraveling,

change rate has removed the tendency for a dollarization of the economy, put incentives for exporters on a firmer footing, and increased market competition within the country. Combined with market liberalization and improvements in the legislative framework, the private sector share of value added in the economy has risen from 6 per cent to 64 per cent between 1990-96.

Government revenue and expenditures were both down to about one-third of GDP in 1996, a reduction of 50 per cent against the 1990 levels, leaving a deficit of about 3 per cent of GDP in 1996. Much of the expenditure cuts were achieved through cuts to public sector inefficiency within state enterprises, untargeted subsidies, and bloated government. Efforts for further public sector reforms and efficiency gains through decentralization are underway, though at this time not yielding expected results. Efforts have focused on raising investment - estimated at 22 per cent of GDP in 1996 - by increasing the low savings rate and mobilizing foreign capital.

The target for GDP growth is 3.5 per cent in 1997 and 5 per cent in 1998, for inflation under-30 per cent in 1998, and for the current account deficit US \$79million in 1997, and US \$66million in 1998.

The Mongolian economy is vulnerable to external fluctuations because of a still very narrow trade base, dependency on natural resources, a debt service of 14 per cent of exports in 1995, foreign aid of US \$478 million between 1991-97, and foreign investment of just US \$10 million.

### **Adjustments in the Household.**

The hard macroeconomic adjustments of transition have been paralleled by harder adjustments within many households. Liberalization, stabilization and privatization of the economy have created new gaps through which some households have fallen, at the same time when the old systems of safety nets were withdrawn or undermined, and new ones imperfectly established. Though many have been successfully shifted into health and social insurance schemes, groups such as pensioners and those with fixed salaries have seen rapid declines in purchasing power, and many have slipped into poverty. Overall, there has been a sharp and continued increase in poverty, coupled with an increase in *vulnerability to poverty* for many of those not currently poor. In 1996, 19.2 per cent of the population were estimated to be living below the poverty line, a line that has consistently diminished in real value since 1991.

Labour market liberalization and enterprise rationalization have led to widespread unemployment - 6.5 per cent in 1996 - as many households have struggled to find new avenues to secure livelihoods with few resources, marketable skills, and market opportunities. An even larger number of people are not registered as unemployed, and many are in fact under-employed, with some estimates placing the actual number of unemployed to be double the officially stated 55,400 people. State supported programmes like day care were withdrawn at the same time as labour burdens within many households shifted, leaving women to take on the double role of being breadwinners and caregivers within the family.

Cuts in state investment and subsidy, weak infrastructure, and isolated markets have made economic production in many parts of the country difficult to sustain, and raises the prospect of poverty being stubbornly persistent. In several aimags, over one-third of the population remained in poverty by 1996, with the worst poverty being in aimag centres, and this largely reflects the sharp decline in light and processing industry in most aimags.

The series of mild winters following privatisation of livestock created the windfall of a rapid expansion of livestock heads, and hence rural employment, without much rural investment. Though the sector continues to expand in livestock numbers, its weakened productive infrastructure in terms of winter shelters, functioning wells, marketing systems, vet services and environmental situation, imply not only increased vulnerability of rural livelihoods, but also less food security for everybody.

Fiscal austerity at the macro level was paralleled at the household level through drastic cuts in consumption, and dis-saving. For some people this has jeopardised their fundamental human right to food - the 1993 daily calorie intake per person was 25 per cent less than 1989 levels, and remained 15 per cent short even by 1996. The need to economize has driven households to seek cheaper substitutes leading to an even more nutritionally unbalanced diet than previously existed, undoing the improvements made over the space of 20 years between 1970-89, in just eight years. In 1990, on average Mongolians ate 40 times more fresh fruit and twice as much vegetables, fish and eggs, and less meat and dairy products. Before the collapse of the crops sector, the country used to produce several fold more vegetables, eggs, and cereals per capita. Current estimates place 14 per cent of the adult population under-weight and 7 per cent obese. Without an improvement to Mongolians' diets, lifestyles and living environments in rural and urban places, expensive degenerative diseases, such as cancers and cardiovascular problems, will continue to increase. Deficiencies in vitamins and nutrients continue, and cause morbidity and mortality, undermining the ability to work and raising health care costs for the household.

### **Impact on Children**

Much of the adjustments within households have fallen on children. With the under-16 year olds comprising 40 per cent of the population and 50 per cent of the poor, the past seven years has meant poverty has emerged as a key feature of the formative years of a major portion of Mongolian society. Though infant and child mortality rates have been successfully reduced throughout the 1990s - partly as a result of high national immunization rates - and is currently officially estimated to be 40 per 1,000 live births and 56 per 1,000 live births respectively, the rates for rural areas remain double that of urban areas, reflecting drastic cuts in rural health services. Of children under-48 months, 12 per cent are too thin, 26 per cent too short, and 5.6 per cent are born underweight because their mothers suffer worsened health and nutrition. Large numbers of children have experienced disrupted schooling and will remain poorly educated, undermining not only their own life prospects, but also the future growth base of the country. In a country with such a large stock of people with formal schooling, simple literacy - currently estimated at 97 per cent - is insufficient to secure a job. However, the increased emphasis on shifting the costs of schooling out of the public sector, has meant that it is the children of the poor who show lower enrolment and lower completion rates within the education system.

### **Participation and Marginalization.**

Re-training and access to key productive inputs, such as finance, are necessary to give people the opportunity to participate in a market economy and work themselves out of poverty.

People become trapped in inter-connected vicious circles of unemployment, poverty, poor nutrition, poor health, low skills, weakened self-confidence, and low participation, resulting in sections of society that remain marginalized. Stresses within some households are being revealed in crime, domestic violence, street children, and poor female-headed households.

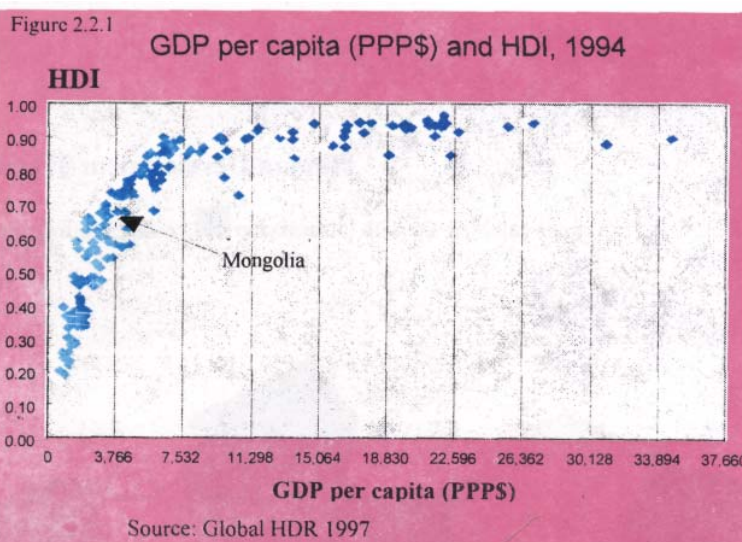
Such negative processes are being woven into a rapidly changing social fabric, alongside positive trends of increased entrepreneurial and creative talents, and a new sense of personal opportunity and liberty. Mongolian civic responsibility is being increasingly expressed within a rapidly strengthening civil society of NGOs and media, which is also laying open the way for increased accountability and transparency in many areas of life.

## 2.2. Human Development Index (HDI) - Mongolia

The human development index is a simple average of three components, which measure a country's achievements in longevity, knowledge and standard of living - i.e. three basic dimensions of human development. The longevity component is determined by *life expectancy at birth*, expressed as a proportion of a country's progress between the lower boundary of 25 years and the upper target of 85 years. The educational attainment component is a combination of the *adult literacy rate* and the *combined primary, secondary and tertiary enrolment ratio*. Both are expressed as a proportion of the maximal target of 100 per cent, and the literacy rate is given a weight of two-thirds and the enrolment ratio a weight of one-third in the overall educational attainment component. Standard of living is indicated by *real GDP per capita* (in purchasing power parity), which is expressed as a proportion of the lower boundary of US \$ 100 and an upper target of US \$40,000, with marginal

increases beyond the global average GDP/capita being discounted to reflect the diminishing marginal utility of additional income.

The table above shows Mongolia's HDI calculated by the UNDP and SSO, the difference in values being accounted for by: 1/ different estimates for literacy rates and enrolment rates, and 2/ SSO not using PPP\$ GDP/



capita estimates.

The graph plots GDP/capita and HDI for all 175 countries listed in the Global HDR 1997. The graph rises steeply before leveling off. Mongolia has yet to clear the steep part, indicating remaining scope to increase HDI through increasing GDP/capita. Importantly, there also remains scope to increase health and education outcomes, even after controlling for Mongolia's low GDP/capita - many countries of Mongolia's GDP/capita perform better in terms of life expectancy at birth, and education attainment.

## 2.3 Human Development Index (aHDI) - Aimag Level

Importantly, the national HDI only indicates average levels of human development in a country, around which a range of values exist for different groups of people. The appendix table shows aimag human development indices (aHDI). The calculation of the health and education components of the aHDI is identical to the global HDI methodology. However, in the absence of aimag GDP/capita, income/capita from household survey data was used, and an index constructed based on the global HDI methodology. These lead to very high values for the aHDIs (between 0.63 and 0.86 in 1995), indicating that some other formulation or aimag GDP/capita would be required to calculate aimag HDI.

Table 2.2.1

### HUMAN DEVELOPMENT INDEX - MONGOLIA

Year	Global HDR estimates	SSO estimates
1990	0.578	n/a
1992	0.604	0.632
1993	0.578	n/a
1994	0.661	n/a
1995	n/a	0.631

Source: global Human Development Reports 1990-1997; State Statistical Office

Note: GDP/ capita in purchasing power parity does not exist for Mongolia, and UNDP make estimates to derive the HDI. However SSO HDI values incorporate no such PPP adjustment. Also SSO use higher literacy rates and enrolment figures, as supplied by the Ministry of Education. These differences tend to inflate the SSO HDI compared to the UNDP HDI.



In the absence of that, we present the values of aHDI (and their 3 components) expressed as a percentage of the Ulaanbaatar values. This will give an indication of the spatial variation in human development. The trend in the percentages for each aimag shows whether the aimag is catching-up or falling behind in human development relative to Ulaanbaatar levels. The aHDI does not reflect disparities within aimags, especially with respect to the distinction between aimag-centres and rural-areas nor with respect to poverty groupings. These disparities are followed more specifically in the Report's later analysis.

The following conclusions emerge:

1. Only 5 aimags enjoy human development levels above-90 per cent of Ulaanbaatar levels, and two have levels below-80 per cent.

2. Between 1989-95 half the aimags were able to close the gap with Ulaanbaatar at least to some extent.

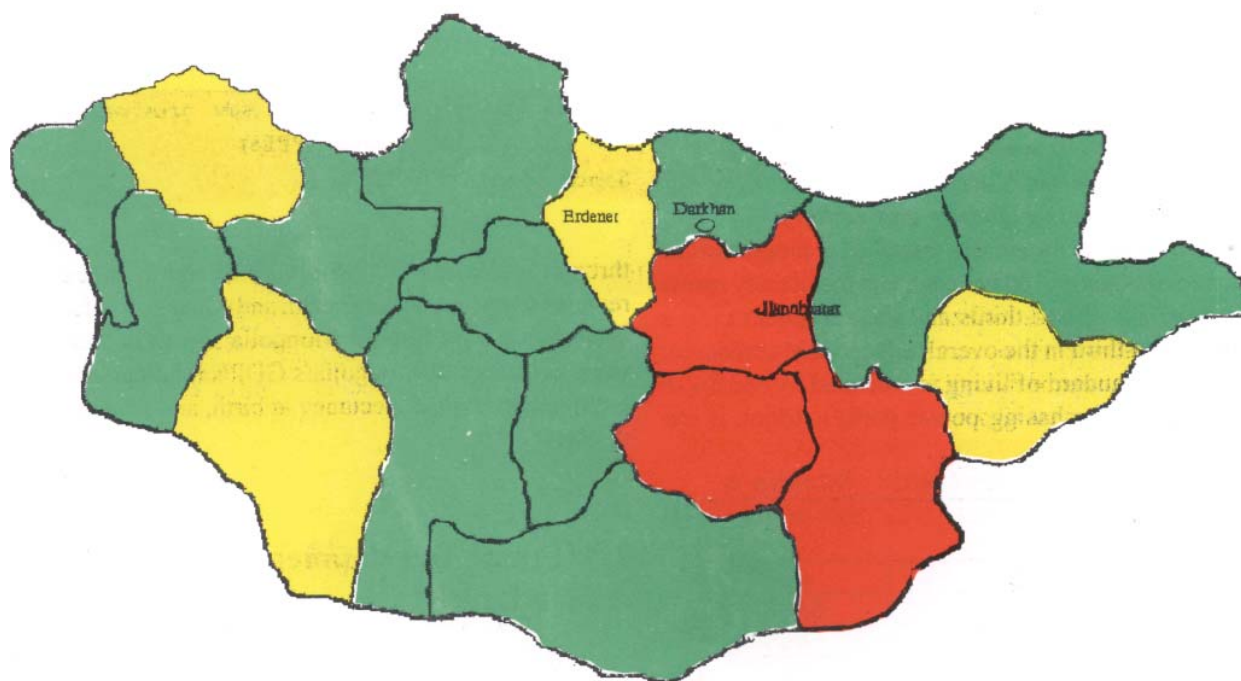
3. Importantly, different aimags closed/widened the aHDI gap for different reasons - through the health, education and/or income components (see appendix table).

4. The income component remains the principle source of disparity in aHDI across aimags.

5. The range value (the difference between minimum and maximum values) increased for the education components of aHDI, indicating widening education disparities across aimags - the range value closed for the income component and remained unchanged for the health components of the aHDI.

### Human Development Trends 1992-95

Aimags catching-up with Ulaanbaatar ■, aimags falling behind ■, and aimags not moving ■



Note: Aimags coloured green have improved their aimag-HDI relative to Ulaanbaatar, aimags in yellow have not changed their aHDI more than  $\pm 1.5$  per cent relative to Ulaanbaatar, and aimags in red have widened their gaps in aHDI relative to Ulaanbaatar. See annex table for further numbers, and breakdown of changes by health, education and income components of aHDI.

## MAJOR HUMAN DEVELOPMENT ISSUES

Transition has not been without costs. More people are poor, a larger proportion of the population is poor, and poverty reduction in parts of the country poses major challenges. Health and education sectors have been badly affected, the gains of women during the socialist period have suffered, and nutritional standards have worsened. Food security is potentially at risk. Pollution and natural resource management need attention. But a peaceful transition to a stable, multi-party democracy has been accomplished, which bodes well for economic and social progress in the future.



### 3.1 Poverty, Income Distribution and Economic Growth

This section aims to review the macroeconomic performance of Mongolia in relation to economic growth and its impact on human development. Most of Mongolia's economic indicators declined dramatically during the early 1990s, only beginning to stabilize in the last three years. But what does this mean for the average Mongolian household? How are individuals and families benefiting from renewed growth and a restructured economy? What is happening to poverty and unemployment? Understanding the nature of economic growth is crucial for understanding the determinants of human development. More national income implies more public

and private resources, which - if policies are human-centered - implies more investments in human development through food, health care, housing, basic education, leisure time and so on. Economic growth is a necessary precondition for the creation of employment and the absorption of new entrants into the labour market. However, while economic growth is generally a necessary condition for progress in human development, it is not always a sufficient means of obtaining improvements in human well-being. This is one of the primary issues confronting the Mongolian government in the years to come.

#### 3.1.1 Who is Poor in Mongolia?

Local officials in Mongolia often claim they 'know' who is poor and who is not. To date, this is essentially how poor households have been targeted for assistance. Since 1991, SSO's Household Budget Survey (HBS) data has been used along with an absolute poverty line based on a minimum basket of goods that should be available to all. The minimum basket is calculated using a physiologically adequate food calorie level plus allowances for non-food items such as shelter, clothing and heating. An alternative assessment of poverty in Mongolia is based on the Living Standards Measurement Survey (LSMS) data generated in 1995 by the World Bank. These two poverty estimates incorporate different normative decisions and methodological choices in the construction of the poverty line. This means assessments of the extent of poverty in Mongolia differ according to which data are utilized, and they cannot be compared.

According to HBS data, poverty has increased in Mongolia since transition, both in numbers of people and in the proportion of the total population. In 1991, 14.5 per cent of the population was living in poverty; as compared to 1996, when 19.6 per cent of the population was considered poor. But LSMS estimates for 1995 place the poverty rate at a far higher 36 per cent. In 1995, the government, using HBS data, estimated the numbers of 'very poor' (those consuming less than 40 per cent of the poverty line), to be 5 per cent of the total population, of which almost half were under 16 years of age and 23

percent in rural areas. About 41 per cent of the very poor are in aimag centres, 23 per cent in soum centres, and 12 per cent in Ulaanbaatar.

**Table 3.1.1**

**POVERTY INCIDENCE (%) AND NUMBERS OF POOR PEOPLE**

	Poverty Incidence (as % of population)			Total number of Poor People		
	Rural	Urban	Mongolia	Rural	Urban	Mongolia
1991	n/a	n/a	14.5	n/a	n/a	320513
1992*	n/a	n/a	17.7*	n/a	n/a	n/a*
1993	19.5	16.5	17.8	198,845	202,862	401,707
1994	26.1	15.1	20.2	276,366	183,982	460,348
1995	16.6	14.7	15.6	184,757	176,939	361,696
1996	19.8	18.7	19.2	• 222,955	229,450	452,405

Source: Government of Mongolia; Household Budget Survey, SSO

Note:

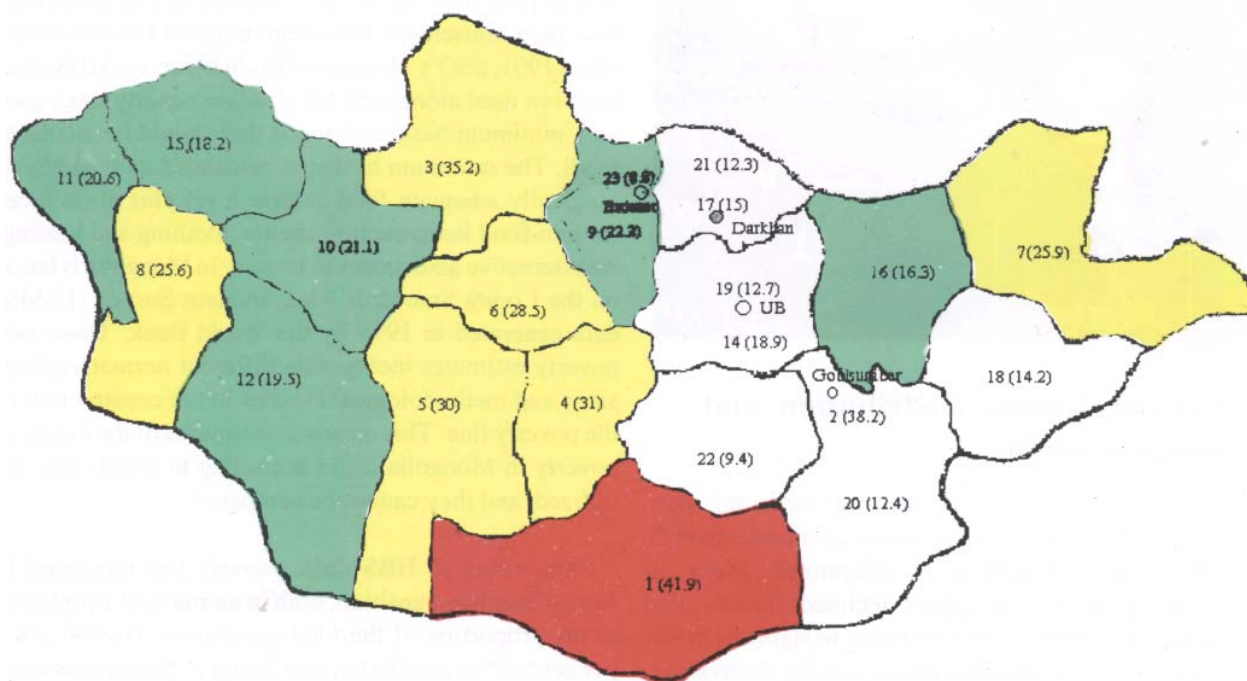
'Poverty incidence' is the proportion of the country's population whose consumption is less than the poverty line.

1. Urban includes cities and aimag centers.

2. The World Bank Living Standards Measurement Survey (LSMS) estimated the poverty incidence in 1995 to be 33.1 per cent (rural); 38.5 per cent (urban); 36.3 per cent (Mongolia).

\* These figures exclude Bulgan, Dornod, Zavkhan, Uinnogovi, Tuv, Uvs, Khentii aimags for which poverty data were not available in 1992. The total excluding these aimags was 287,676 poor people.

### Aimag Rank by Poverty Incidence 1996



Note: First number shows the rank and the number in brackets shows the poverty incidence in 1996. The aimag with the highest poverty incidence is shaded red (highest), followed by yellow (high), green (middle) and white (lower).



The 5 aimags with the highest poverty incidence in 1996 are Umnogobi, Gobisumber, Khuvsugul, Uberkhangai and Bayankhongor (see map). The HBS data indicates that rural poverty is slightly higher than urban poverty. However, the LSMS-based estimates in 1995, found poverty to be more prevalent in the urban than in the rural areas. Amongst the urban areas, the aimag centres appear to suffer from the greatest degree of deprivation.

The government has identified 6 groups as being most vulnerable to poverty, though not all who fall within these categories are necessarily poor. They include (a) orphans; (b) the physically handicapped; (c) the elderly without guardians; (d) women-headed households; (e) households with more than 4 children; (f) the unemployed and (g) small-herders in remote areas. Data generated by the LSMS indicates that the poor in Mongolia are most likely to be young and have a low level of education (i.e. not beyond primary school). Compared to the average, the incomes of poor households are more dependant on wages, salaries and pensions, and less so on trading, business or other business-related activities (World Bank 1996). The survey also points to a strong correlation between unemployment and poverty. It is estimated that 60 per cent of unemployed people are likely to be poor.

Compared with 1989, the share of household expenditure on food has increased substantially, as incomes have shrunk and households have been forced to cut back on non-food items. As a general statement, higher food costs are an indication of poverty. In urban areas in 1995 the share of expenditure on food by poor households was 64 per cent, and 41 per cent in non-poor households (in rural areas, the figures are 56 per cent poor, and 39 per cent non-poor). The harsh climate of Mongolia means non-food expenditures such as heating and clothing are vital for survival, restricting the ability of households to economize on non-food items. Furthermore, households with low incomes over several years will have to choose between buying food and replacing the necessary durables they have been using since transition.

### **3.1.2 The Impact of Transition ...**

Poverty emerged in Mongolia during the sharp down trend in GDP between 1989 and 1993. Deteriorating terms of trade in the early 1990s hit industrial enterprises hard. Shortages of fuel, equipment and raw materials forced almost all enterprises to operate at below capacity. Employment levels were sustained for some time as the government tried to prop up the economy. But eventually large-scale redundancies ensued. Privatization of state assets led to lay-offs, outdated and unviable enterprises collapsed, and others attempted to reduce their staff to achieve efficiency objectives. State farms experienced a similar transformation with large numbers of people being laid off as agricultural production plunged. The live-

stock sub-sector on the other hand, expanded rapidly as privatization led to an increase in livestock and numbers of herders. During the early 1990s, over 95,000 people moved into herding from other sectors to seek an alternative livelihood.

### **... on inflation**

Price instability was a consequence of the structural transitions and poor macroeconomic management during the early period of this process. The strong expan-

richest 20 per cent of households (above Tg 18,451 per annum) have 18 times the income of the poorest 20 per cent (below Tg 1,951 per annum).

Despite growing inequities, Mongolia still enjoys income equality comparable to its neighbours. Estimates of income distribution for 1996 indicate that the poorest half of the population has about one-third of total income. This compares favourably with Russia and China, where the poorer half have approximately one quarter of total income. The Gini coefficient in 1996 was 0.318.

Table 3.1.2: Structure of Production and Growth by Sector  
/percentages/

Sectors	1990	1991	1992	1993	1994	1995	1996	Growth rate of output		
								1990-1996	1990-1993	1993-1996
Industry	28.1	27.0	26.4	24.3	24.6	27.0	26.0	-3.2	-11.7	6.1
Non-ferrous metal	2.5	2.4	3.8	4.8	6.4	8.0	8.5	16.1	9.5	23.1
Agriculture	14.8	15.5	16.5	15.8	16.1	16.1	16.0	-0.7	-5.4	4.1
Livestock	10.8	12.1	13.3	12.1	13.4	13.7	14.1	2.6	-4.2	9.7
Crops	4.1	3.4	3.1	3.7	2.7	2.3	1.9	-13.5	-10.8	-16.2
Construction	4.5	4.1	2.4	2.0	2.2	2.3	2.4	-12.0	-29.2	9.4
Transport	6.8	4.3	3.8	3.4	3.4	3.2	3.4	-12.8	-26.5	3.3
Communication	1.3	1.1	1.0	1.0	1.0	0.9	1.0	-7.0	-14.9	1.5
Distribution and warehousing	22.2	21.3	17.8	18.5	18.4	17.6	17.4	-5.9	-12.7	1.5
Nonmaterial services	11.7	16.9	18.9	17.9	18.6	30.4	17.8	5.1	6.6	3.5
Depreciation of fixed capital	22.3	22.9	22.9	23.7	27.0	17.8	27.3	1.5	-5.4	8.8
Other	-11.8	-13.1	-9.8	-6.6	-11.4	-11.6	-11.1	-3.0	-23.8	23.6
Real GDP, million of Tg (1986 prices)	10,282	9,330	8,445	8,191	8,378	8,908	9,136	-2.0	-7.3	3.7

Source: Calculations based on Ministry of Finance data

### 3.1.3 Disparities in Growth of GDP and Poverty Reduction

Since 1994, GDP per capita has been rising at an average of 2.8 per cent per year while inflation rates have declined. Balance of payments performance has also improved, though it remains erratic due to the strong reliance of exports on copper prices. Yet despite increasing GDP per capita, poverty has been rising during the past year, and in 1996 was higher than in any year since 1991, with the exception of 1994. In other words, an increase in national income has not benefited the poor. This is a matter of concern and raises issues regarding the changing structures of growth and employment-primary determinants of income distribution.

#### Where Has Growth Occurred?

After achieving growth in GDP of 6.0 per cent in 1995, the overall growth in GDP fell to 2.6 per cent in 1996. A drop in international copper prices caused the decline in the rate of growth, emphasizing the important contribution of minerals to Mongolian GDP. Looking at sectoral growth trends since 1994, it can be seen that the highest growth rates have been attained in industry, chiefly through mining. Growth in agriculture has been more stable but is below that of industry. All of the growth in this sector derives from livestock, which has continued to perform well, especially cashmere production has risen by 80 per cent since 1995 and now makes up an important part of the export market. Finally, construction has been growing steadily, although a decline is reported in 1997 (see table 3.1.2).

Most of the major industrial and construction activities are located in or around Ulaanbaatar, Darkhan and Erdenet or a handful of the larger aimag centers. Livestock and cashmere production (though not processing), are generally located in the rural areas outside the aimag centres. Productive activity in other aimag

centres remains limited and there is little evidence in these places of the economic growth that may be more apparent in other areas of the country. These are also the places where poverty appears to be deepest and most entrenched. In other words, growth is spatially varied between different areas of the country and has failed to make inroads in areas which are most desperately in need of growth.

Another important issue relates to changes in employment, one of the main ways in which income is distributed. The official employment figures suggest that by 1996, the number of job places returned to 1991 levels. The working age population grew by 110,300 over this period, meaning there was no expansion in job places to match the growth in available workers. Correspondingly, 40 per cent of unemployed are under-25 years old. The official unemployment rate increased until 1994, dipped in 1995 and has increased in 1996. By February 1997, 57,500 were registered as unemployed (an increase of 11,100 on February 1996) and 1,600 new job places were created. Of these new jobs, almost 80 per cent were located in Ulaanbaatar and 5 other aimags.

The unemployment rate masks a measurement problem, because the unemployment figures only include people who register as unemployed. A 1995 survey by the government of 42,061 unemployed people revealed that young

Table 3.1.3: Unemployment, year end.

	Unemployment rate, end of year, %			Numbers of registered unemployed	
	Total	Male	Female	Total	- of which female
1990		2.90	3.24		
1991	6.5	5.49	7.51	55407	
1992	6.28	6.42	6.12	54042	29078
1993	8.51	7.80	9.42	71912	38415
1994	8.69	8.01	9.94	74881	40239
1995	5.37	5.02	6.14	45107	23605
1996	6.54	6.32	7.15	55405	28114

Source: Ministry of Health and Social Welfare and SSO

new entrants to the labour market who were temporarily employed or unemployed, tend not to be included in the

unemployment figures as they fail to register their status. Based on the survey, in addition to the 54,100 Mongolians registered as unemployed there may be an additional 72,000 more unemployed. In the rural areas, on the other hand, there may be an underestimate of the number of people who are employed at any point in time, as many obtain temporary work as ad hoc herders but do not report such activity.

TABLE 3.1.4: STRUCTURE OF EMPLOYMENT

	Employment Level OOs			Share of Total %		
	Industry	Agriculture	Other	Industry	Agriculture	Other
1980	85.4	203	227.6	17	39	44
1990	131.6	258.8	393.2	17	33	50
1991	132.2	274.9	388.6	17	35	49
1992	133.9	294.2	377.9	17	37	47
1993	124.1	302.2	346.5	16	39	45
1994	100.9	336.6	349.0	13	43	44
1995	108.1	354.3	332.3	14	45	42
19%	104.6	358.1	329.1	13	45	42

Source SSO

Table 3.1.4 shows levels and shares of employment in industry and agriculture. Much of the steady increase in agricultural employment can be attributed to the livestock sector. However, while the number of herders increased at an average of 4.4 per cent per annum between 1993 and 1996, this increase was outpaced by the rise in numbers of livestock at 6.6 per cent per annum. In other words, the expansion in the number of livestock during 1993 - 1996 has not resulted in the creation of new sources of livelihood- to the extent that was the case during the period 1990 - 1992. This would seem to indicate that there has been an increasing concentration of livestock wealth in rural areas, along with a consolidation of herds, with some smaller herders going out of business and hence moving back into aimag centres. It also appears that people are not moving out of aimags despite a high incidence of poverty and unemployment, indicating a rigidity in the labour market. This could be because of the high costs of moving, (including government tax,) lack of employable skills, risk aversion or simply because of a lack of information as to what opportunities might be available elsewhere.

Although the livestock sector has played a very important role as a safety net for large numbers of unemployed people in the past, it should be noted that the sector is potentially vulnerable. Expansion took place spontaneously but without a corresponding growth of support services that in the long run are vital for the health and survival of the livestock population in the rural areas. For instance, the number of veterinarians per head of livestock has diminished and now stands at 1.000 head of livestock per vet. The production of fodder crops, following the privatization of state farms has drastically declined at a rate of 43 per cent per annum, from 527,000 tons in 1990 to 19.000 tons in 1996. It has been primarily thanks to the recent mild winters that animals have been

able to survive without additional fodder. However, one harsh winter could inflict huge damage on animal numbers, with serious consequences to herders. Already it appears that survival rates for some animals have declined by 3 to 5 per cent since 1990.

There has long been a policy of diversifying the economy of the aimags and encouraging growth in the aimag centres, largely through the support of industries dependent on the livestock economy. Although cashmere production has been an outstanding success in this sphere, other industries have not fared as well. Production of such goods as skins, meats, carpets, wool, felt, and dairy products have all declined drastically since 1994, despite positive overall growth for the rest of the economy. Power shortage is a commonly cited problem for rural production, as are the lack of effectively functioning regional financial systems.

Another factor that could explain why poverty has not decreased despite higher growth, stems from the structure of employment in different sub-sectors. By 1996 the output of only 4 industrial sub-sectors have reached or exceeded their 1990 levels. These include power, fuel, non-ferrous metals (including copper) and the chemical industry. The employment effects of this growth will have been highly localized and in many cases quite limited as these are mostly large, capital-intensive, heavy industries. The output of the leather, fur and shoe industrial sub-sector on the other hand declined from Tg 48.2 billion in 1990 to Tg 2.9 billion in 1996 (using 1995 prices), suggesting big regional employment losses, related largely to the closure of state enterprises and collectives and the lack of a private sector response in these sectors.

The greatest potential for increased employment remains in the growth of private small and medium-sized businesses but this has been constrained by lack of finance and a sound enabling business environment. Many small businesses have been established in recent years but have failed to prosper. In 1995, for example, more businesses (4,504 entities) went bankrupt than were established (2,434 entities).

## 3.2 Longevity and Health Status

Mongolia's performance in the health sector during the last 30 years is impressive. A huge expansion in health care under the socialist regime resulted in significant improvements to all health indicators, including life expectancy, infant mortality rates and morbidity. With the transition to a market economy in the early 1990s, however, budgetary constraints forced the government to cut back on real per capita expenditure on health care by 42 per cent. Various measures have been taken to rationalize expenditure in the sector, improve efficiency and ensure continued access of the population to health services

regardless of their income. But these have not been able to stem the deterioration of health services and preventive health care programmes in many parts of the country, particularly in the rural areas. The impact of these developments on the health of the population appears mixed, but in general there would appear to be a slowing down in the improvement of the health status of most people. This section looks at some-of the key health indicators and their performance in recent years.

### 3.2.1 Increasing Average Life Spans

Life expectancy is a fundamental indicator of human well-being, and given Mongolia's income and population size, it has performed well. In the past 30 years, life expectancy at birth has increased by about six years. Much of these gains have been due to cuts in death risks during the first years of life. Since 1989, overall life expectancy has increased by just over one year. Some of this recent increase can be explained by a dramatic fall in birth-rates in the early 1990s, which has served to reduce the proportion of the population that is vulnerable to early-age mortality, thereby raising average life-expectancy. The sudden fall in birth rates is thought to have resulted as a

Table 3.2.1

LIFE EXPECTANCY AT BIRTH, YEARS			
	Both	Male	Female
1969-74		56.3	59.4
1974-79		58.3	62.4
1979-84		58.0	61.6
1984-89		62.1	63.0
1989	62.6	62.2	62.9
1992	63.3	62.2	63.8
1995	63.8	62.1	65.4

Source: SSO for 1989, 1992 and 1995; for other years Doljinsyren [1996]

response to economic hardships and the abrupt withdrawal of special benefits previously provided as part of a strong pro-natal population policy.

**Child Mortality:** The increase in life expectancy can also be explained by the decline in mortality rates amongst infants and children under five years of age during the 1990s. According to official estimates, infant mortality was 63.4 per 1,000 live births in 1990, and under-five mortality 96.1 per 1,000 live births. These rates have declined by slightly less than a third during the 1990s to 40.5 per 1,000, and 56.4 per 1,000 live births in 1996.

The infant mortality rate decline over the 1990s is better than the trend observed during the preceding 20 years. Such a strong decline is puzzling in the light of other health indicators, and is partly due to falling recording of deaths - rather than deaths themselves. Coverage problems may have arisen from a decrease in contact between mothers and health services (attributable to the upheavals of transition), and are likely to affect newborns

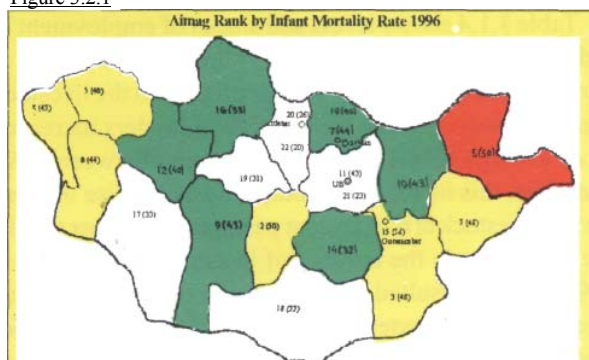
Table 3.2.2.

MORTALITY RATES PER 1,000 LIVE BIRTHS						
Years	<1 days	1-6 days	7-27 days	8-364 days	<1 yr (IMR)	<5 yrs (USMR)
1990					63.4	96.1
1991	6.7	7.5	5.7	42.8	62.7	89.7
1992	2.3	7.4	4.6	43.1	57.5	86.2
1993	3.1	9.3	4.9	38.8	56.2	88.3
1994	2.8	5.3	3.7	28.1	39.9	69.5
1995	2.5	5.4	3.6	33.0	44.6	62.0
1996	0.7	8.3	3.1	28.5	40.5	56.4

Source: Ministry of Health and Social Welfare

especially, whose birth and deaths may go unregistered. Research conducted under the 1994 and 1996 Demographic Surveys [PTRC 1994 and 1996] using birth histories of individual women, found the average infant mortality rate for the period to be as much as 50 per cent greater than the official figures. Indirect estimates using demographic techniques support this view [Neupert1995]. Respiratory tract infection, principally pneumonia, is

Figure 3.2.1



Note: The aimag with the highest infant mortality rates is shaded red (highest), followed yellow (high), green (middle) and white (lower). The numbers indicate the ranking, including the three cities - Ulaanbaatar, Darkhan and Erdenet. The numbers in brackets show the actual infant mortality rates per KXM live births in 1996.

by far the largest cause of infant mortality (55 per cent in 1996), followed by infectious and parasitic diseases (19.5 per cent), birth trauma (17.5 per cent) and gastrointestinal illnesses (8.4 per cent). Respiratory infection may be related to burning fuel in poorly ventilated gers (especially during winter months), which aggravates the transmission of airborne bacteria.

Infant mortality rates are far from uniform throughout the country and between social groups. The 1996 and 1994 Demographic Surveys [PTRC 1996 and 1994] found large differences in infant mortality rates across aimags and between cities, aimags and soums. Differences also exist according to maternal education, maternal age at birth, the infant's birth order, birth spacing, accommodation type (apartment/ger), and water supply. A child born in Ulaanbaatar, to a mother with tertiary education, aged between 25-34 years, living in an apartment with tap water has the best survival chances. Children born with many siblings have less chance of survival, as do those that soon follow the birth of their youngest sibling. Importantly, even for the 'lower risk groups' - for example, infants with mothers with tertiary education - the mortality

rates remain high. All these factors are correlated with each other, with the city/aimag/soum distinction dominating [Bayasgalan 1996]. These results clearly indicate that access to basic health care, sanitation and reproductive control are primary determinants of early-age mortality in Mongolia.

**Adult Mortality:** The age-specific death rate over the period 1990-95 for males aged 20-64 years is 599 per 1,000 and females 487 per 1,000 of population. Particularly striking is the higher male mortality over female, even in relatively young age groups of the over 30 year olds. There are twice as many females as males in the

**Table 3.2.3. MORTALITY BY CAUSES, 1979-96**

	per 1000 population			% of total deaths		
	1979	1990	1996	1979	1990	1996
Cancer	0.3	1.3	1.3	4.6	16.4	20.0
Cardiovascular	0.4	1.3	2.0	7.2	16.5	30.1
Respiratory	2.5	2.3	0.9	46.7	29.2	13.4
Gastro-intestinal	0.8	1.0	0.5	14.3	13.1	7.8
Injury and poisoning	0.2	0.4	0.7	3.3	4.8	10.1
Others				23.9	20.0	18.6
				100.0	100.0	100.0

Source: Ministry of Health and Social Welfare  
Note: The 1979 figures refer to only hospitalized cases.

over 70 years age group. Despite declining health facilities, the mortality rate amongst adults (other than maternal mortality) has remained constant as many are still reaping the benefits of good health care in the early stages of their life under the pre-transition period. Most deaths are due to cancers, cardiovascular disorders and respiratory diseases, which accounted for 63.4 per cent of all deaths in 1996.

**Maternal Mortality:** A particular source of concern is the increase in maternal deaths during the 1990s, despite a falling birth rate over the same period. In 1996, 3,163 fewer women gave birth than in 1994. The maternal mortality rate was 1.77 per 1,000 births in 1996. A decrease compared to immediately preceding years, but still higher than for 1985 - 89 when the rate was 1.4 per 1,000 births. Maternal mortality rates in rural areas are twice as high as in urban areas. The number of cases are small, which therefore makes trends in the rates hard to interpret. However, increasing absolute number of deaths within the context of a falling birth rate is a major sign of the closure of half the maternity homes (where pregnant women were admitted two weeks before delivery), deteriorated ambulance services (for rural families, as medical facilities may be over 50 km away), and a rapid rise in abortions under unsafe conditions.

Mothers in herder families are at greater risk, reflecting their reduced access to medical attention during pregnancy and birth. Aimags in the Altai mountainous regions have the highest rates, and those in the central and Gobi areas the lowest. Maternal age, birth spacing and education are correlated. The aimag maternal mortality rate is

only slightly correlated to the proportion of women in the aimag who are given antenatal care in the first trimester of pregnancy. This together with the fact that about half of maternal deaths occur at aimag and city hospitals, indicates that correct diagnosis and treatment - that is, training and equipment issues - are as important as access.

### 3.2.2. Prolonging Life with Better Health

Morbidity rates have been increasing in Mongolia in recent years. The implications for human well-being are considerable, as poor health undermines the capacity of people to live productive lives. In the last two years, highly infectious disease rates have increased to 64.5 per 1,000 population in the last two years, following a declining trend over 1990-93. Though tuberculosis and sexually transmitted disease have been increasing rapidly, the most common highly contagious disease in Mongolia is viral hepatitis (affecting 35.2 per 10,000 population in 1996). The high occurrence of liver disorders and cancers is an important complication of hepatitis. Meningococcal infections have also begun to emerge since 1994. The rate in 1996 was 3.78 per 10,000, with Dornod (8.46) and Umnugobi (7.76) having the highest rates. In Ulaanbaatar the rate was 5.8 per 10,000.

In order to combat the most common infectious diseases such as measles, diphtheria and hepatitis, Mongolia has placed high priority on universal immunization, achieving close to or above 90 per cent immunization coverage for all antigens in 1996. Problems with vaccine supply and expenditure cuts after transition led to drops in the coverage rates, though the situation has improved in

**Table 3.2.4**

#### **MORBIDITY PER 10,000 POPULATION, 1996**

Respiratory	827.2
- pneumonia	95.3
- asthma	6.8
Digestive system	399.3
Genitourinary	284.9
Skin Disease	96.1
Injuries and poisoning	50.4

Source: Ministry of Health and Social Welfare

the last three years (see table 3.2.5). The major challenges are: 1/ promoting sterile injection practices (especially in rural areas); 2/ difficulties in the cold chain system (associated with fuel and transportation, cold storage equipment in rural areas, and electricity supply problems); and 3/ improving surveillance systems. There is no domestic production of EPI vaccines. The situation has been alleviated in recent years with the assistance of vaccines, cold-chain equipment, and training provided through WHO.

Lack of safe water and basic sanitation is an important factor of morbidity in Mongolia. It is estimated that close to 650,000 Mongolians do not have access to safe



water, while a further 522,000 have no access to basic sanitation. Apart from resulting in a high incidence of diarrhoeal and gastric illnesses, in 1996 there were 156 cases of cholera with 11 fatalities (the first time in 50 years).

**Degenerative diseases:** During the last 30 years, Mongolia has been experiencing a gradual epidemiological

Table 3.2.5

IMMUNIZATION COVERAGE, %

	1993	1994	1995	1996
BCG	84.2	90.3	90.0	90.2
DPT3	79.5	77.9	85.0	90.0
OPV3	78.3	77.0	80.3	90.0
Measles	83.8	80.1	80.0	88.0
Hepatitis B	68.8	66.7	80.1	92.8

Source: *EPI Progress in Mongolia 1995* Ministry of Health; *Country Program Statement on Vaccine-Preventable Diseases 1995 Project* Ministry of Health; *Country Report on EPI Mongolia 1996* Ministry of Health

transition from a preponderance of infectious disease towards degenerative diseases. As this shift continues, this will have important implications for future health care, due to the widely differing costs of treating (and preventing) different illnesses. Compared to its income level, degenerative diseases are quite prevalent in Mongolia. Malignancies have doubled in frequency since 1973.

According to the WHO, the rates of cardiovascular and oncological disorders in Mongolia during the last 15 years have increased 2 and 1.5 times respectively. Cardiovascular disorders now affect 11.0 per cent of the urban population and 13.8 per cent of the rural population. These numbers double when counted only amongst adults. The shift from the nomadic lifestyle to a sedentary one, changes in psychological stress and nutrition are contributory factors.

All types of cancers have increased and the primary ones are liver tumours (29.6 per cent) and stomach cancer (21.0 per cent). The leading reasons for these malignancies relate to nutrition, alcohol and tobacco abuse, and medical factors such as the high occurrence of inflammatory disorders in the population.

There is also a relatively high incidence of schizophrenia in the urban population (3.1 per cent) as well as neurotic disorders (36.7 per 1,000). Information on the rural population for mental and neurotic disorders is non-existent, and treatment of these illnesses is weak in rural areas. About 1 in 1,000 males are considered chronic alcoholics.

**Nutrition:** Underlying many of the degenerative diseases and other chronic health problems of the population

is poor nutrition, both in terms of total calorie intake as well as nutrient balance. The return to livestock as a survival strategy since transition has increased the dependence on meat and milk (see table 3.2.6). According to a survey by the Nutrition Research Center in 1995, 56 per cent of the total average daily energy intake is derived from flour and flour products, 15.4 per cent from meat and meat products, 15.2 per cent from butter, 7.7 per cent from milk and milk products, 1.7 per cent from rice, 1.5 per cent from potatoes, and 1.3 per cent from sugar. Fish, vegetables (other than potatoes), fruits and eggs account for less than 0.2 per cent. This corresponds to an average daily intake of 2,141 kcal of energy.

While the intake of protein (89.7 grams) compares favourably with norms, there is an insufficient intake of micronutrients (vitamins and minerals). A lack of essential micronutrients leads to diseases and disorders many of which are not reversible, once they occur. The main risks in Mongolia are iodine and vitamin D deficiency, plus iron deficiency in mothers and children. Risks from vitamin B group deficiency are less with the livestock-based diets.

In Mongolia's present food-supply circumstances, diversifying the diet and increasing fruit and vegetable intake is possible in the cities, harder in the aimag centres, and hardest amongst the nomads. At an average national level, the dietary balance has worsened substantially, with much of the improvements over the 20 years prior to transition being undone in just a few years (see table). Vegetables and fruit intakes have been cut dramatically. Seasonal variations in food intake exist, with winter and autumn being low-intake seasons for macro-nutrients, and spring and autumn being low-intake seasons for micro-nutrients. As advances are made in battling morbidity and mortality from contagious diseases, future gains in life expectancy and health status become more and more conditioned by the quality of nutrition and lifestyle. The Government of Mongolia is currently developing a National Plan on Nutrition designed to comprehensively address and improve the nutritional status of the population.

**Nutrition and growth problems in children:** Poor nutrition in children undermines their health as adults and, along with disease, is the major determinant of height growth until adolescence, regardless of ethnicity [Dasgupta 1993]. A deficit in height-for-age is referred to as stunting, and in weight-for-age as wasting. Stunting is an indication of long-term health and nutritional inadequacy, while wasting is related to more recent health and nutrition deprivation.

The Mongolian Nutrition Survey of 1992 [Kachondham 1992] found that, in comparison with international norms, roughly 12 per cent of Mongolian children under four years old were underweight with 2.4 per



Table 3.2.6.

## ANNUAL CONSUMPTION PER CAPITA BY FOOD GROUP/ KG

Source: SSO

	1970	1989	19%	% Change 1970-89	% Change 1989-96
Meat and Meat Products	102.6	93.1	97.0	-9.3	4.2
Milk and Dairy Products	140.1	120.7	125.8	-13.8	4.2
Butter	2.2	3.0	3.9	36.4	30.0
Eggs /pieces	4.7	26.9	1.4	472.3	-94.8
Fish and Fish Products	0.4	1.3	0.6	225.0	-53.8
Sugar and Sugar Products	16.4	23.6	8.5	43.9	-64.0
Flour and Flour Products	89.9	105.3	95.1	17.1	-9.7
Potatoes	7.7 -	27.4	11.0	255.8	-59.9
Other Vegetables	10.3	21.5	8.5	108.7	-60.5
Fresh Fruit	3.1	12.1	0.3	290.3	-97.5
Vegetable Oil	0.7	1.4	0.8	100.0	-42.9

cent being severely underweight for their age; about 26 per cent were stunted, and about 2 per cent were wasted. No significant difference was found to exist between girls and boys. After controlling for the problem of 'bowleggedness' associated with vitamin D deficiency, still 20 per cent of children were considered to be stunted. Severe stunting occurred in 8.7 per cent of children. These figures indicated that undernourishment among children under four years old shows a tendency towards being of a chronic (i.e. long-term) nature, rather than transitory. Relatively long-term nutrition and health deprivation has retarded height and weight growth.

In 1996, 5.6 percent of all newborns recorded by the Ministry of Health and Social Welfare were evaluated as low-weight (using 2.5 kg as an international standard). The birth weight distribution shows that over half are between 2.5 - 3.5 kg, but does not reveal how many of these cases fall close to the 2.5 kg line. In all data considered, infants were revealed to be most vulnerable in their second year (between 13 and 24 months old), when weaning generally takes place.

Parental education levels and place of residence seem to be important factors affecting child health and growth patterns. Children whose mother and father are uneducated are 50 - 60 per cent more likely to be stunted. Similarly, a child of a working mother with up to secondary education living in a ger is more than 2.5 times more likely to be stunted than a child of a non-working mother with tertiary-level education living in an apartment. Both low-weight and height for age are worse among children living in gers as compared to children living in apartments, regardless of whether the gers are located in rural, soum centre, aimag centre or city areas [Kachondham 1992].

### 3.2.3 Health Sector Reforms

A combination of budgetary constraints and shifting health care priorities have led to a progressive transformation of the health sector in Mongolia, both in terms of

its technical emphasis and in the way that it is financed and organized. Central to this process has been the move away from disease treatment towards health promotion, a strategy that emphasizes the preventive as opposed to the curative aspects of health care. Accordingly, there has also been a shift-of support from larger, urban-based hospitals to the provision of primary health care services. The highly specialized health care system that prevailed during the socialist period is being replaced by a more general family doctor-based system.

Financial restrictions have made it difficult for the health sector to carry out its functions properly. This has forced policy makers to look at new ways of delivering health services, chiefly through the greater involvement of the private sector. Already doctors are able to operate privately, and by offering a service to those who can afford to pay, this frees up resources in the rest of the health service. While still on an experimental basis, the contracting of certain health services to private operators is expected to improve performance and efficiency. In order to ensure a self-financing health sector, a nationwide health insurance scheme has been put in place by the government, which, in principle, allows access to health services for all. People unable to afford health insurance, and who qualify for social welfare, are able to access health services without paying insurance. However, all users are charged a basic fee for use of services and for the purchase of medication. The World Bank Poverty Assessment [1995] found that the burden of health care as a result of fees was proportionately higher for the poorest 40 per cent of the population, and that this was amongst the most important reasons for the lowest quintile of the population not consulting a health facility when in need.

## 3.3 Education and Skills for a Market Economy

The education sector has been hit hard by the process of transition. Expenditure per capita on education fell by 53 per cent between 1991 and 1996. The cuts have been felt in reduced access to facilities and in the quality of education provided. The number of teaching staff has fallen, wages and salaries within the sector have been eroded, hurting staff morale, and the availability of school materials has diminished. Restoring educational standards has become a priority for the government, but the challenges are daunting. Many of the problems confronted by the education sector have their origins in the broader social and economic transformations in Mongolia. As in other sectors, educational establishments are having to

adjust their operations and curricula to deal with new economic parameters, changing labour markets and altered social aspirations. This section focuses on two issues of relevance to Mongolia's capacity to meet the human resource demands of a modern, dynamic market economy in the future, namely the increased number of drop-outs and falling school enrolment rates throughout the country; and the constraints currently facing tertiary and vocational education.

### 3.3.1 Drop-outs and Non-enrolment

In terms of basic reading and writing skills, Mongolia has a highly-educated population, and in comparison to other developing countries, the distribution of education across social groups (i.e. gender, income, etc.) is relatively egalitarian. In fact, Mongolia's achievements in the education sector during 1950-1990 compares closely to middle-to-high-income countries. Along with literacy rates, education at all levels of schooling increased over the period. By 1989, about 40 per cent of the population had completed at least secondary education and about 15 per cent of the population were graduates of tertiary education. The literacy rate of those over 15 years was 98



Shoe shine boys help supplement their families' income. As the second child of a family of 7, living in one of Ulaanbaatar's gher districts, 15-year-old Batbayar earns Tg 2000-3000 (US \$2.50- 3.75) a day shining shoes. "It's much better doing something rather than doing nothing at home" he says.

per cent for males and 95 per cent for females. The variation across aimags in literacy rates was also closed - a major achievement given Mongolia's size, and continuing nomadic lifestyle - with the Gobi area showing the lowest rates of 95 per cent by 1989, compared to the 98

percent in the cities (Ulaanbaatar, Darkhan, and Erdenet).

Although literacy and education levels in Mongolia continue to be relatively high, there is evidence that the process of transition, particularly in its early stages, has damaged the education of children. According to Ministry of Science and Education data, the number of children dropping out before completing secondary school increased from 6,133 in 1989, to a peak of 48,446 in 1992 before falling back to 14,272 in 1996. The total number of drop-outs between 1989 and 1996 was 166,000. In 1993, western aimags were reported to have the largest numbers of drop-outs. Aimags to the extreme west and east had a larger proportion of drop-outs from lower grades. Overall, two-thirds of drop-out children were from grades 1-4, and almost 70 per cent were boys. A combination of three factors are commonly claimed for the rise in drop-outs:

- increasing direct and in-kind costs of schooling to households, especially in rural areas, and especially with regard to the financial squeeze on the boarding school system; this is especially relevant in households with many young children;
- increasing livestock herd sizes following privatization, which would be consistent with the sharp increase in boy drop-outs relative to girls;
- remoteness of schools, with parents in the now more liberal society able to express their preference not to send children to boarding schools (previously the system made it compulsory).

Understanding the relative importance of these factors is vital - the first excludes children of poor households, the second of richer herder households, and the third refers to access to schools and community schooling.

Along with the children who have dropped-out, there has been some who have not even enrolled in schools. The total numbers of students enrolled at primary and secondary levels declined after 1990, and for vocational and tertiary levels since 1985. According to SSO data, the combined primary, secondary and tertiary gross enrolment rate was 76 per cent in 1989, 54 per cent in 1992 and 57 per cent in 1995. The Ministry of Science and Education bases estimates on a slightly different age range - 6 to 23 years - giving a 1995 combined gross enrolment rate estimate of 50 per cent. In the poorest 20 per cent of households the enrolment rate was found to be 25 per cent less at primary and secondary levels than that of the richest 20 per cent of households, and 65 per cent less at tertiary levels [World Bank 1996]. They were also higher for households in Ulaanbaatar, Darkhan and Erdenet, and lower for Bayanulgi, Bayankhongor, Arkhangai, and Ovurkhangai.

During recent years, the drop-out and non-enrolment rate of children has eased off, though the levels are still sufficiently high to be a source of concern. Many children

have re-entered the education system after a prolonged absence and are attempting to catch up with others of their age. However the problem remains of the

Table 3.3.1

	Primary (8-10yr)		Secondary (11-17 yr)		Vocational (11-17 yr)
	Gross	Net	Gross	Net	Gross
National	104.5	93.4	61.1	56.9	2.1
Female	105.3	93.8	69.3	64.5	2.1
Male	103.8	92.9	53.0	49.1	2.0
Cities	113.0	99.2	77.4	71.4	2.7
Female	113.3	99.4	83.9	77.7	2.4
Male	112.7	99.1	70.7	65.0	3.0
Aimags	100.7	90.7	53.5	50.0	1.8
Female	101.6	91.3	62.3	58.3	2.0
Male	99.7	90.1	44.6	41.6	1.5

Source: Calculations by Batjargal, Ministry of Science and Education

GROSS AND NET ENROLMENT RATES 1996, %

large number of children with disrupted education whose capacities in the long term will have been impaired by years of lost education. The cumulative effect of this disruption will be to bring a wave of less-literate cohorts to pass through the age structure over the next 70 years. Based on the most favourable assumptions e.g. that children out of school will not forget their literacy, simulation of future literacy rates amongst the over -15 years old shows the rate will drop to pre-transition levels by 2002, with the greatest damage occurring in rural areas and to males.

The government has taken a number of measures to reintegrate children into the educational system through the organization of special classes and the provision of mobile teachers in rural areas. But with an already over-stretched educational system, the effectiveness of these measures is expected to be limited and many children will enter adulthood with only a partial educational background.

### 3.3.2 Skills and Education for the Future

A large number of young people are entering the labour market with low formal qualifications. This compounds the problems faced by the educational system in fostering appropriate skills for a modern market economy. It is a major challenge to the country and implies examining the education curriculum within the formal schooling system, and giving attention to vocational and re-training of the unemployed. Vocational schools offer three main areas of training: agriculture, construction and industry. Between 1990-96 the number of vocational students decreased from 29,067 to 11,308 and the number of annual applications decreased by 30 per cent. The decline can be associated with the withdrawal of student assistance for necessities like clothes, food and learning materials; the preference of many prospective students

to take up work in the livestock sector rather than follow vocational training; and the breakdown of the former system of guaranteed employment, which absorbed a large proportion of the intake upon completion of training.

Vocational skills will be increasingly required as industry, commerce and services resume growth. But these skills have been eroded with the decline in the number of vocational trainees, posing potential problems for the future development of the country. The government is now looking into ways of improving vocational training, including adjustment of training curricula to meet changing demands in skill requirements.

The demand for tertiary education remains high, but places are limited. Existing state institutions are struggling with financing, and many students face hardship following the withdrawal of student benefits and the requirement to pay student fees. Assistance for fees is provided through a government loan scheme given to students on the basis of a means test. But only half of all applicants were awarded a loan in 1996. In addition, all state employees are allowed to send one child to university free of charge. Students depend on their families and relatives, many of them already over-burdened by pressing financial problems, and this is harder for rural students coming to study in Ulaanbaatar.

In the past, large numbers of students were sent abroad for university training, mostly to other socialist countries under bilateral agreements. With the cessation of such agreements, few students are able to afford to be trained abroad privately. Thus the number of students being absorbed by the existing tertiary education system in Mongolia has increased. The government has sought to supplement the public educational system with private not-for-profit tertiary educational institutions. There are currently 46 schools at the tertiary level specializing in economics, law and foreign languages. Private education is very much in its infancy, to a large extent catering to the needs of students who failed within the public system. There are several weaknesses- in the private system, including poorly qualified and inadequate numbers of staff, poorly conceived curricula, lack of buildings, equipment and materials, and precarious financing arrangements. The Ministry of Science and Education is planning to set up a rating system for private institutions, in which performance scores would be published in newspapers every five years.

Previously, Mongolia was able to call on the skills of students who had graduated either from institutions abroad or from the local state system. Both these sources produced graduates of a high calibre. Most of the private educational institutions have not yet attained standards that are equivalent to the state sector, or to the training that was previously provided abroad. Hence the quality of graduates has been falling. Time will be required for the private tertiary institutions to improve and compete with the state sector on an equal basis.

The economic and social impact of the erosion in the quality of tertiary education available to Mongolian students is difficult to assess. The high quality of Mongolia's educated population has been amongst its strongest assets in the past. With the eventual restoration of economic growth, increased resources to the educational sector may eventually enable it to regain its previous high standards.

### 3.4 Food Security and Vulnerability

#### Food Availability

"Food security, at the individual, household, national, regional, and global levels is achieved when all people, at all time, have physical and economic access to sufficient, safe, and nutritious food to meet their daily needs and food preferences, for an active and healthy life" [World Food Summit 1996, quoted in GDI 1997]. Food security is not simply a matter of food production, but also the distribution of 'entitlements' to that food. Thus food security includes the food-supply side (food production and food imports of the country) and demand side (ability of households to purchase food and grow food).

Mongolia's food security at the national level has become more linked to movements in world markets since foreign exchange earnings (i.e. capacity to import) are heavily dependent on mineral earnings, and there has been an increased reliance on imports of basic-food items. This has increased the importance of the terms of trade of Mongolia's international food and non-food transactions. Mongolia's terms of trade have become less favourable, and in particular cereal prices have risen in world markets in recent years.

Mongolia's per capita food production has fallen in all main food groups (see table). Following the poor harvest in 1995, grain shortages and disruptions to flour and bread production were reported in March/April 1996. The 1996 harvest of 215,000 tons of wheat was 31,000 tons short of expectations. Whereas about 333,000 ha of grain were sown in 1996, under current yields approximately 400,000 ha are needed to meet the national flour requirement [EIU 1996/Q2, Q4]. The government financed 60,000

tons of flour imports, but a further 180,000 tons would be needed before the 1997 harvest [EIU 1996/Q3].

#### Food and Income

At low incomes, a diversity of food and income sources

#### FOOD PRODUCTION PER CAPITA

Table 3.4.1

	1980	1990	1993	1996
Meat/kg	140.9	119.9	97.3	110.4
Milk/kg	140.2	152.1	128.0	156.9
Butter/kg	2.4	2.1	0.3	n/a
Eggs/ pieces	13.1	17.9	4.5	2.1
Cereals/ kg	178.2	346.1	215.9	94.4
Potatoes/ kg	23.5	63.2	27.1	19.7
Vegetables kg	16.3	20.1	10.2	10.2

Source: State Statistical Office

(cash and in-kind, agricultural and non-agricultural) is an important element of household food security - the greater the diversity, the greater the food security of the household [Maxwell 1992]. For many households this is likely to be a major issue. Average per capita daily energy intakes have fallen dramatically in recent years, and remain far short of their pre-transition levels - from 2,621 calories in 1989, to 1,963 calories in 1993, to 2,278 in 1996. A similar trend exists for protein, fat, and carbohydrate elements.

The following factors raise household food security as an important area for concern in Mongolia, especially in the face of a potential large loss in livestock from harsh weather (recent winters have been mild):

- narrow reliance on livestock and livestock products, both as a source of food (as discussed above) and a basis for livelihoods;
- the near complete collapse of the crops sector; for food and fodder

- the vulnerability of the moral economy (i.e. private transfers between friends and relatives) due to the covariant risks between urban and rural households;

though the livestock sector cushioned the stresses of the early 1990s, urban economies - especially in some aimags - are very linked to the livestock sector, thus reducing their ability to act as a safety net in times of crisis;

- the collapse of livestock insurance schemes, which were largely organized around the collectives;

- the increased winter exposure of livestock owned by poorer households due to their decreased access to winter shelters and winter feed; also, there has been a decline in the number of managed wells and vet services which has increased the vulnerability of the animals; between 1990-96, survival rates per 100 livestock births have fallen for all species, and survival rates per 100 female breeding stock have fallen for 'camels, lambs and kids;

- the vulnerability of many households which possess below-sustainable herd sizes - generally at least 150



heads of livestock (though composition of herds matters) are needed for a household to derive sufficient income from livestock products and for sufficient breeding to maintain the herd size; two-thirds of households have under 100 heads;

- increased risk in some herder households due to excessive species specialization, especially towards cashmere goats.

Clearly some parts of the country are more vulnerable than others, depending on the extent of the non-livestock economy, and on climatic variations. Furthermore, *within a given area* some households are more vulnerable than others depending on the extent to which their livelihoods base is diversified, and their level of wealth. Importantly, it should not be assumed that food vulnerability *within households* is the same across gender and age groups, and experience in other countries has shown that women and children may be more vulnerable [Maxwell 1992]. At this time it is not possible to comment further on this last point, because no studies exist in Mongolia which look at the way households adjust to changing food availability.

### 3.5 Social Fabric Under Change

A significant feature of deprivation in transition countries is its rapidly changing nature. Within the space of only a few years, for the first time in generations large sections of the population are experiencing poverty. Liv-



Street children like 13-year-old Bat in Ulaanbaatar, are the result of overstressed families. Bat has escaped twice from home and he does not want to go back. "I'd rather wander around and do what I want to do when I want to do, rather than go to school. To go to school you have to get up early in the morning."

ing standards, and the other aspects of human welfare which are correlated with living standards, are changing for different groups of people in a very short period of time. As society moves through transition:

- households find that new avenues for livelihoods emerge and old ones are closed;
- macroeconomic imbalances and adjustments rapidly shift purchasing power within society;
- the division of responsibility between the state and the individual for health and education are being redrawn;
- for vulnerable households, safety nets and transfers are being quickly redefined with respect to scope (in terms of purchasing power), coverage (in terms of who is included and who is excluded), and sources (with increasing reliance on friends and relatives).

The 'feed me mentality' - an often cited cause of poverty in Mongolia - may more accurately be the 'transitions' occurring within households as they begin to cope and adapt to the shock of a radically different system of social ethics, ideology, and relationships, and economic systems of production and distribution.

#### 3.5.1 Human Development and Social Exclusion - Opposite Processes.

Human development and social exclusion are opposite processes. Human development is the expansion of 'capabilities', and social exclusion narrows 'capabilities'. Both are multi-dimensional processes, and both relate to opportunities available to people. Social exclusion refers to the exclusion of certain people from the normal interactions and processes of society - e.g. employment, housing, education, health, 'social status', political participation, social participation, etc.. This reflects the multi-dimensional nature of human well-being, and the interactions existing between each of the dimensions. A better educated person, finds better employment, eats and lives better, gets ill less often and when ill obtains better medical treatment, has higher social status and is better able to gain representation of his/her interests within society, etc.. Human development expands people's opportunities, whilst social exclusion results in a narrowing of opportunities.

Importantly, the ill-effects of social exclusion may be passed on from one generation to the next, as can the positive effects of human development. Children of deprived parents are deprived themselves, in terms of nutrition, poor living conditions, low health care, passive education effort and investment, and low self-confidence and awareness of rights. Human development progress - for example increasing maternal education - has positive effects on children's welfare in all the areas mentioned above, and has a strong gender balancing effect. In its street-children and falling schooling performances, Mongolia may already be witnessing the consolidation of the next generation of socially excluded.



It is hard to assess the workings of such processes in Mongolia. Part of the reason is the weakness in household databases in combining information on the different dimensions of human development. Another part of the reason is time. Communism made large social sector investments, which now act as a cushion from many of the social effects of transition. Many health and education indicators take time to decline (as they do to improve), and arguably should be regarded as stock concepts [Anand and Chen 1996]. Furthermore, with time deprived children of the transition period will grow up, social and economic differentiation will work through and encourage discrimination in opportunities, and social ethics will continue to shift towards individualism. As the older generation (embodying large investments in human development) die out, and the newer ones grow up, the effects may become more pronounced.

### 3.5.2 Social Bonds, Correlated Deprivations, and the Next Generation.

Qualitative surveys conducted for the MHDR in September 1996, indicate that unemployment, excessive employment burdens (especially when coupled with child rearing duties), and insecurity of livelihoods, all are correlated with a reduction in the intensity of social interactions, and presumably therefore social bonds. The following two quotes illustrate the issue in terms of leisure time: "I think that only employed people could have leisure time" [29-year-old man of Uvurkhangaig aimag]; "I don't have enough time for my leisure because my children are small and I have to do 8 hours work" [28-year-old woman of Khovd aimag]. In a study in April 1997 of the social relations of herder households in one bagh, participatory research methods were used to reveal that households ranked as poorest and households ranked as richest were those households which maintained the weakest and strongest social network and relations in their community respectively [Robin Mearns, Sussex University, work for Asian Development Bank]. The poorest tended to be simply left out, and the richest maintained profitable connections back to Ulaanbaatar (partly reflecting marketing ties for livestock).

Some of this change in social relations relates to changing work patterns and organization of production. Socialist collectives offered considerable opportunities for social interactions. Job security resulted in employment within the same organization for long periods of time. Individuals were 'honoured' for contributions to society, and the all-pervasive restrictions on personal freedoms enabled the state to control anti-social behaviour. Transition has eroded these important opportunities for social integration. Increased costs of travel has loosened ties between the rural and urban parts of the extended family network, as relatives are able to afford to visit less often.

Weakened social bonds alter the 'social fabric' of society. The number of criminal offences has increased each year from 10.6 thousand in 1991 to 22.4 thousand in 1996. The share of violent crimes (murder, man slaughter, rape, indecent assault) has been steady at about 12 per cent of all offences, the bulk of the increase coming from economic-related crime (theft and corruption). Of the 64.4 thousand people involved in crime in the last 5 years, 44.9 per cent were unemployed. Nearly 96 per cent of offences are committed by men.

As the stresses of transition are played out in personal relationships of people, we may expect to find associations between domestic violence, suicides, psychological disorders on the one hand, and poverty and unemployment on the other. The rate of suicides was 12 per 100,000 population in 1995 and 10 per 100,000 in 1996 with Dornod, Dundgobi, Ulaanbaatar and Erdenet having rates much higher than the national level (1.5 to 2 times as high). During the 1990s there has been a sharp fall in both marriage and divorce rates. Divorce rates conceal two other possibilities for which we have no trends: 1/ people - especially women - choosing to stay within a marriage due to economic insecurity; and 2/ couples separating but not getting divorced. In a survey of Songinokhairhan district court of Ulaanbaatar, nearly half of divorces in 1997 related to the dissolution of marriages started after transition, and one-third of wives cited alcoholism as the reason for divorce [WIRC 1997].

**Correlated Deprivations.** A 1995 survey by MPPL showed that once unemployed, the chances are a person will remain unemployed for some time - about 27.3 per cent had been unemployed for 13-24 months and 41.3 per cent for over 25 months, and only 7 per cent managed to get a job within three months. Based on comments made by job seekers in a Ministry of Population Policy and Labour survey, there are links between the status and contacts of the individual and the chances of the person finding a job. Discrimination operates in hiring and in the access to information about vacancies. Often jobs are secured as much by the influence of friends as qualifications and experience. The catch is that it is precisely the unemployed and poor who possess the fewest social contacts and remain socially isolated. Many unemployed talk about the "thousands of hardships of an unemployed person". These hardships include the obvious basic goods, but also the protection of health, and schooling of their children, etc. Many unemployed people are not covered by health insurance.

There are also links between poverty and morbidity which contribute to the cycle of deprivation. Several factors contribute to the extra vulnerability of poor people to illness, and hence death:

- lower nutrition (the average calorie intake of poor people in 1997 was 1784 calories per person per day, with

the rural poor consuming 1740 calories and urban poor 1827 calories);

- lower standard housing, without adequate water and sanitation; congestion within accommodation is also greater amongst low income groups, increasing the communicability of disease. In 1995 about 1,289 households

had no accommodation of their own and were sharing with another family; in 1996 about 60.000 households lived in ger settlements around Ulaanbaatar, lacking safe water and sanitation;

- fewer clothes and inadequate heating.

This is a vicious cycle of illness-poverty-illness which households often find hard to avoid, and which may deplete small savings very quickly due to health care costs and forgone income.

**Child Deprivation.** All of the above issues have grave implications for the next generation. About 70 per cent of the poor are made up of children and adolescents, and with poverty come related problems of high mortality, malnutrition, school avoidance and general neglect. The urban areas have experienced a visible increase in the number of street children who scratch a living from ad hoc activities such as shoe shining and trading, or from begging. Current estimates put the number of children living on the streets at about 4,000 of which 60 per cent are in Ulaanbaatar and 30 per cent are girls. It is not simply poverty which leads to a child leaving home for the streets, but the tensions resulting from poverty. Thus many street children come from not only poor households, but also broken, violent and disrupted homes. A MoHSW national survey in April 1997 of 2,040 young people between 10-20 years reveals that:

- about 13 per cent had been physically beaten, of which nearly two-thirds was by a parent or acquaintance;
- about 5 per cent had attempted suicide, of which a quarter had tried more than once; those likely to be less socially integrated, such as street children and unemployed adolescents, had a greater tendency towards suicide attempts;
- over 2 per cent have abused substances by sniffing glue, petrol, shoe polish, and medicines, of which 58 per cent did it often; a third of substance abusers were street children.

Criminality amongst under-16 year olds increased from 640 cases in 1991 to 1,197 cases in 1994, of which the numbers of cases relating to violent crime (murder, rape, assault) fell from 138 in 1990 to 70 in 1994. About two-thirds of these cases in 1994 received prison sentences, of which three-quarters were for one to three years.

### 3.6 Ensuring Women's Participation

Over the past 70 years, there have been significant improvements in women's literacy and education, life ex-

pectancy, health status, employment experience, and social freedoms. Compared to women in many other developing countries, women in Mongolia have a far better position, both in an absolute sense and relative to their male counterparts. Certainly the gains made by women in these practical needs have helped them perform their gender roles. For example, the state's investment in day cares gave greater freedom to women. Moreover, the provision of practical needs has certainly helped in making more strategic gender shifts in Mongolia, such as the socially accepted right of women to undertake paid employment.

Yet alongside these achievements, a surprisingly large part of the social relations between men and women have remained intact, especially in terms of child-rearing and household duties. In many respects, gender issues in Mongolia are more like that prevailing in industrial countries (where the most obvious elements of sex discrimination have been removed and deeper issues of power imbalances remain), and less like developing countries (where sex-biases in basic services and welfare outcomes remain).

According to the Global HDR 1997, Mongolia has a gender-related development index (GDI) value of 0.650, which is ranked 80th among the 175 countries listed. This compares to a human development index (HDI) value of 0.661, which ranks Mongolia 101<sup>st</sup>. The GDI adjusts the HDI to take into account gender differences in the four indicators of human development which are included in the HDI - life expectancy at birth, adult literacy rates, combined enrolment rates for all levels, and GDP per capital. The lower GDI value indicates female capabilities

Table 3.6.1

literacy rate of over-15 year olds						
	Female	Male	Female	Male	Female	Male
Mongolia	94.9	98.2	96.9	98.6	96.3	97.5
Aimags	N/a	n/a	n/a	N/a	94.8	96.6
Cities	N/a	n/a	n/a	N/a	99.0	99.1

to be worse than the national average (as indicated by the

Source: SSO for 1989 and 1992; Ministry of Enlightenment for 1996

Notes: Cities refers to Ulaanbaatar. Darkhan-ul and Erdenet

HDI value). This is typical of most countries, and the difference in values is unsubstantially less in Mongolia than in other developing countries. Mongolia also does well in the global rankings. A positive value in the difference in global ranking by HDI and GDI is taken to imply that *relative to other countries*, a country's human development performance is comparatively better once achievements in gender equality are taken into account. Mongolia shows positive values, reflecting the close parity between males and females in the main indicators of human development. Most importantly for the Mongolian context, the GDI is much better at measuring gender disparities in the formation of human capabilities, than in the use of those capabilities.

The formation of capabilities are also indicated by other data, showing a large measure of equality in terms of women's education and health. As is usual in most countries, female life expectancy in Mongolia is higher for women than for men (65 and 62 years respectively). Increases in life expectancy in recent years have been identical for men and women (table 3.2.1). Male-female inequality in literacy rates has been nearly eliminated, though there remain big differences in schooling attainment, with women being underrepresented at the tertiary level of education. Nevertheless women form an important part of the professional work force. In 1996 women constituted 43 per cent of doctors, 31 per cent of economists, 80 per cent of medical doctors, and 70 per cent of lawyers. Notably these figures do not show the position of women on the career ladder. Females also comprised 46 per cent of the workforce in agriculture, 42 percent in industry, 56 per cent in trade, 65 per cent in hotel and catering, 64 per cent in education, and 67 per cent in the health sector. But the rate of unemployment is higher amongst women than men (table 3.1.3).

In the rural areas, women's roles are prescribed differently than in urban areas. Men and women divide labour relating to animal breeding and grazing, with women generally performing the physically less demanding tasks such as milking, making dairy products and looking after young animals. They also have chief responsibility in the domestic sphere. In general, rural women tend to be less educated than their urban counterparts and are at higher risk from maternal mortality. Female-headed households in rural areas, due to the shortage of labour, tend to have less diversified and smaller herds, making them more vulnerable.

Despite impressive progress in the formation of women's capabilities, issues of political, economic and social power as well as violence are still of concern. Mongolia joined the Convention on Women's Political Rights in 1965, giving equal rights to women and men in voting, in being elected, and being in office in government. The previous system, which gave political support to women's "election" to the government has been abolished, and this may help explain why more women did not get elected in the 1996 parliamentary elections. In the 1996 elections, Mongolian women won 10 per cent of the parliamentary seats. Whilst still below the 20-50 per cent target set by the UN, this result is above average globally. At least in terms of voting rights, women and men have been able to exercise their rights. The gender ratio of the voters in the 1992 and 1996 democratic elections were the same as the gender ratio of the total population of the country. It is widely accepted that Mongolian women vote freely without pressure from males.

But men dominate the highest posts of decision-making in Mongolia (see table). Representation of women in other decision-making posts - such as heads of government departments, or local governors - is lacking. There are no women aimag governors, and only 7.5 per cent of department and divisional heads in central government are women [WIRC 1997].

These figures may be interpreted as reflecting the incomplete re-balancing of gender roles between men and women, which have become all the more apparent with the retreat of the state after transition. In the past, men in the urban areas in particular, did not have to think about their roles in relation to family responsibility, as the state

Table 3.6.2

#### WOMEN AND POLITICAL DECISION-MAKING

	Total	Female
Members of Parliament	76	7
Cabinet Members	9	0
State Secretaries	9	0
Aimag, city, soum, and district governors	373	9
Diplomatic ambassadors	28	0
Chairpersons of aimag and city assemblies (hurals)	22	0

Source: Women's Information and Research Center [1997]

supported women in their child-bearing and child-rearing functions through generous benefits and the provision of day care. Since transition, such benefits have been withdrawn and day care facilities have declined dramatically from 441 to 71 between 1990-96. Women's perceived roles as "care givers" in the household continues, and hence many now face a 'double-burden' encompassing their responsibilities both in and out of the household. For many women, these double burdens create role conflicts, which then translate into lower career mobility as women attempt to balance the different demands placed on them.

It is claimed these pressures have led to an increase in domestic violence. Police treat domestic violence as a private matter within the household. More generally, the issue of domestic violence is not socially acknowledged and therefore victims find it hard to voice their problems. One nationwide survey by the Centre Against Violence covered 1,900 women, of which:

- one-third reported psychological and physical pressure in their lives;
- one-fifth attributed this to alcohol-related reasons;
- one-third reported the pressure from husbands/ partners and one-quarter from in-laws;
- three-quarters reported violence along with the pressure, and one-tenth reported sexual pressure;
- nearly half women claimed to have taken no actions to deal with their problems, and one-fifth left home.



affecting less easily measurable aspects of people's lives relating to the quality and comfort of their existence.

One of the most immediate and visible problems in Mongolia's urban areas is air pollution, though amounts vary between cities and districts. Apart from intensive industrial activity in the larger urban centres of the country, the harsh winter climate results in a high level of energy consumption during a major part of the year when heating requirements are high. In Ulaanbaatar, there are three large thermal stations which burn approximately 5 million tons of coal a year. These

The situation appears to be worse in Ulaanbaatar and aimag centres. The proportion of divorced women citing husband's alcoholism and domestic violence as reasons for divorce in Ulaanbaatar was 23 per cent, in aimag centres 50 per cent, in soum centres 14 per cent and outside soum centres 20 per cent [PTRC 1996].

### 3.7 Environment and Well-being

Mongolia's natural environment is amongst its biggest assets. Not only is the natural resource base rich in biodiversity and natural beauty, it also presents one of the country's best opportunities for the improved livelihood of its people through livestock rearing, tourism and mining. But such opportunities also present potential hazards and pitfalls that arise from careless use and unsustainable management of the resources available. Already a number of worrying problems have emerged in Mongolia that are resulting in serious costs to society in terms of loss of livelihood as well as health. These relate not only to people's natural environment, but also to the environment that people have created around them in the urban areas. This section examines two broad issues that are felt to be particularly important in terms of their impact on people's well-being in Mongolia, namely pollution and other hazards in the urban environment and the degradation of grazing areas.

#### 3.7.2 The Urban Environment

Urban areas in Mongolia have grown rapidly during the past 50 to 60 years. Ulaanbaatar's population, for example, has grown to just over 5 times its size since the early 1950s. Lack of an effective institutional framework to deal with the impact of rapid growth and industrialization in urban areas over the years has resulted in the emergence of a series of environmental problems. These pose a serious health risk to most of the urban population while

discharge 4.14 tons of ash and 6,700 kg of sulphur oxides into the air per day, causing a high concentration of pollutants such as SO<sub>2</sub>, NO, and CO<sub>2</sub>. At the height of winter, SO<sub>2</sub> and CO<sub>2</sub> levels often exceed the safety limit by more than 100 per cent. In addition, the ger households situated in large settlements around the city continuously burn fuel throughout the winter months contributing to the poor air quality. Air pollution is also a noticeable issue in Erdenet, Darkhan, Choibalsan and Murun, where industry and comparatively large populations are concentrated. Respiratory diseases, provoked in large part by air pollution, are the biggest single cause of child mortality as well as child and adult morbidity in the urban areas.

The disposal of solid waste also poses a hazard to public health in Mongolia's urban areas. In Ulaanbaatar, an average of one million cubic meters of solid waste are produced annually from households, industry and other urban-based activities. There are three main sites for waste disposal in the vicinity of Ulaanbaatar, but with poor systems of waste collection much waste remains within the city itself in local waste points or else dumped in storm ditches and drains. Dump sites tend to be unregulated and hence there is no provision to protect nearby groundwater sources. The smaller urban centres of the country suffer from similar waste disposal problems to Ulaanbaatar although per capita waste disposal is generally lower.

There is a high level of hazardous waste from industry and domestic use which is not properly disposed of. There are no adequate procedures for the handling, storage, transportation or disposal of toxic chemicals or other hazardous wastes in Mongolia. It is estimated that as much as 52,593 tons of chemicals are discharged into the environment per year (Mongolia National Environmental



Action Plan, 1996). The poor disposal of wastes poses a serious health risk for urban dwellers. While there are no specific data to quantify the nature and extent of the health impact, evidence from other countries points to the risk of increased incidence of contagious and infectious diseases from inadequate solid waste disposal, and of degenerative illnesses such as malignancies as well as birth defects from toxic wastes.

A further issue of concern in urban areas relates to



water pollution. The principle sources of such pollution are industrial discharges and domestic effluents. Water quality is also affected by the poor sanitation situation in many urban areas, particularly around ger settlements where toilet facilities are frequently inadequate, unsanitary or located at an unsafe distance from water sources. Thirty-eight percent of all water supplied to urban areas is of sub-standard quality containing both bacteriological and chemical contamination. The Tuul River running through Ulaanbaatar has an annual concentration of chemicals such as  $\text{NO}_2$ , phosphates and acid organic substances which exceed officially established norms by two to three and half times. This derives from the discharge of untreated sewage and other wastes into the river. Although most cities have waste water treating plants, many are poorly equipped with over half of existing plants not functioning properly.

Many urban pollution problems are not immediately apparent to the population (with the possible exception of air pollution), and many people are either uninformed or little concerned about the extent of pollution given other pressing day-to-day problems. Low awareness is the insidious aspect of the issue as there is often little public pressure to address the problems, even though they may be the root cause of a significant number of Mongolia's health problems. Legislation to address problems of pollution, unsafe waste disposal and unsanitary conditions is inadequate at present, and needs to be addressed urgently.

Clearing up pollution can be costly, and given present financial constraints faced by both government and industry, this task could be difficult to accomplish in the near future without some form of external assistance. At the very least, legislation on the control of industrial effluents, financial incentives for the adoption of more environment friendly technologies for new industries, and the application of a "polluter pays" principle to new investments (a practice that is being increasingly utilised in other countries), could ensure that the present situation is not aggravated as industrial growth resumes.

### 3.7.3 Degradation of Grazing Land

Much attention has been focussed on the issue of land degradation in Mongolia in recent years, particularly in relation to its impact on rural herders. Deterioration of pastures through overgrazing is a matter of concern given the important role of livestock in the economy. Poor grazing results in poor animal productivity which in turn affects rural incomes.

With a land area of 1.56 million square kilometers, and with 1.4 people per square kilometer, Mongolia has one of lowest population densities in the world. Despite its abundance, much of Mongolia's land is relatively unproductive - 41.3 per cent is effectively desert while much of the rest is thought to be ecologically quite fragile. The top soil is thin with an average depth of 20 cm, rendering it vulnerable to wind and water erosion.

The number of livestock in Mongolia increased from 25.9 million in the early 1990s to 28.6 million heads in 1996, entirely in terms of goats and cattle. Although not stable, over the 40 years prior to 1990 there was no trend increase/decrease in livestock numbers. Many analysts place a limit to the number of livestock which may be environmentally supportable. Although estimates exist, very few of these estimates have been rigorously researched. The concept of environmental carrying capacity is very complex, and has to take into account adequately fluctuations, trends and spatial variations in climate, distribution of livestock, animal composition, institutions relating to common property resources, and animal rearing practices. Exactly where the total environmental limit is, is open to debate. In principle, per head of livestock, there are 2.4 ha of pastureland available, which permits extensive livestock practices. Nevertheless some localised areas of Mongolia are clearly reaching limits. Pasture productivity in these areas are said to have declined by as much as half with a corresponding effect on animal health and productivity.



Much of the problem may be connected with the way land is managed rather than with the actual overall carrying capacity of the land. Traditionally, the management of pastureland took place through customary forms of mutual assistance amongst groups of herders and this system worked well in ensuring sustainable grazing patterns. With the dismantling of collectives in 1991 and privatization of livestock herds, some elements of the traditional autonomous co-operation have re-emerged. Yet at the same time, significant changes in the structure of the rural economy and society have altered the nature of community dynamics.

In particular, a significant number of herders have emerged with little understanding and little inclination to follow co-operative forms of pasture management and this has led to a weakening of sustainable grazing patterns that survived even under collectivisation. Furthermore, many herders prefer to live close to the rural aimag centres rather than move their herds from place to place, putting pressure on grazing land around these areas. An additional problem has been the poor maintenance of wells, following the collapse of the collectives, leading to fewer available water points and hence concentrating animals within a limited area. Weakness in livestock marketing systems also leads to concentration around markets.

A more recent emerging issue has been the expansion in the number of goats kept by individual herders following the success of cashmere production. Goats are more destructive in their grazing habits than other forms of livestock including sheep, and this factor can also be identified as contributing to localised degradation of grazing land.

The government introduced new land legislation in 1995 (The Land Use Law) which in effect, allows for the private ownership of land by individuals. One purpose of this legislation was to encourage improved management of grazing land by transforming parts of this land from common property to private ownership. There is little information available to assess the impact of the land legislation on grazing habits - but experience from other countries suggests that a more complex set of institutional and technical issues will need to be addressed in order for localised land degradation to be arrested. To this end actions are expected to be undertaken within the context of the Government's National Plan of Action to Combat Desertification.

### 3.8 Political Freedom, Democracy and Participation

The most remarkable feature of Mongolia is the peaceful manner in which it achieved a transition from a centrally-controlled political system, to a democracy with flourishing political parties and a participating electorate.

The advent of unprecedented political freedoms and a stable, open political system augurs well for future economic growth and improved quality of life. International experience suggests that countries with greater political freedoms and overall political stability fair better in terms of economic growth and human development. For example, a study of the reform experiences between 1989-94 of 26 transition countries (including Mongolia), found indicators of political freedom and economic liberalization to be highly correlated [de Melo 1996]. Countries which are politically more free have made more progress with economic reforms.

The 1992 Constitution recognises:

- the right of the people to participate in the governing of the State, either directly or through

### PERSONAL FREEDOMS

representative bodies (Article 3, Paragraph 1);

- the duty of the State to ensure democracy, justice, freedom, equality and the respect of law (Article 1, Paragraph 2);

- legal guarantees to Mongolian nationals and foreigners (Articles 14 and 15);

- rights and liberties of the individual, including free education, access to medical care, freedom of association, and political participation (Article 16);

- freedom of religion and freedom of opinion (Article 16, Paragraphs 15 and 16);

- gender equality (Article 16, Paragraph 11);

- freedom of movement, within Mongolia and abroad (Article 16, Paragraph 18)

- the right to a fair and open trial, and opportunity to appeal.

"In case of a state of emergency or war, the human rights and freedoms as defined by the Constitution and other laws shall be subject to limitation only by a law. Such a law shall not affect the right to life, the freedom of thought, conscience and religion, as well as the right not to be subjected to torture, inhuman and cruel treatment" (Article 19, Paragraph 2).

Political freedom and democracy greatly facilitate the ability of individuals to participate in the economic, social and political processes that surround them. Participation in this context means empowering people to influence and control decisions that directly affect their lives. This can apply in the economic sphere where participation may mean the ability to contribute to and be remunerated by a society in such a way as to increase an individual's choices about employment and lifestyles. It can also apply in a cultural sense, in that people are able to choose the cultural environment in which they live and adhere to whatever language, religion or belief that gives their life meaning. In the political sphere it is more than the casting of a vote but the ability to genuinely express a voice in the rule of law and to ensure the accountability of those in power.

Effective participation in a democracy requires strong institutions of a civil society and a diversity of non-governmental organizations. It also requires the inclusion of everyone in the society on an equal basis including women. In all these spheres Mongolia has been making significant progress. The following sections examine Mongolia's achievements in these areas.

### **3.8.1 Mongolia's Changing Political Institutions**

The establishment of formal institutions of democracy and political freedom were swift and bloodless, following the start of democratic protest and reform in 1990. The Mongolian People's Revolutionary Party showed enough foresight and pragmatism to avoid any major bloodshed, instituted constitutional amendments in 1991 to allow multi-party elections, and then adopted a new constitution in January 1992 [see box].

The 1992 Constitution transformed Mongolia into a combination of presidential and parliamentary democracy. Importantly, the Constitution separated the legislative (State Ikh Hural), executive (shared between the President who acts as the Head of State, and the Government which acts as the Executive body of the State) and judicial branches of state. The President is directly elected in separate elections and, although the post has existed drily since 1992, exercises considerable influence in political process. The President has the right to veto legislation (although this can be over-turned with a two-thirds vote in the parliament), and appoints judges.

The 1992 Constitution has laid down the foundation for judicial renovation afteryears of abuse. The judiciary has independent authority to oversee the rule of law, and is provided with a Constitutional Court to resolve important issues. Lower courts were established at the level of aimags, capital city, soums, inter-soums and districts (Law of Justice, Article 5). The executive authority reports to the legislature; the executive and judicial branches operate within legislated mandates; human rights and fundamental freedoms are recognised; and state institutions give more recognition to civil society. The separation of powers is operating with checks and balances.

Mongolia has held 3 parliamentary and 3 presidential elections since 1990, which were accepted as free and fair. The first parliamentary elections, held in 1990, were contested by 6 parties. Today there are over 20 political parties operating in Mongolia, of which the Mongolian National Democratic Party, Mongolian Social Democratic Party, Mongolian People's Revolutionary Party and Mongolian Traditional Party have seats in the State Ikh Hural. Initially the opposition parties were centred mainly in Ulaanbaatar. One positive sign of political competition is the widening support base of opposition parties in rural areas. Whereas in local elections in 1992 the opposition parties won only 4 per cent of local seats,

in 1996 the Democratic Coalition took 40 percent of the votes, secured a majority in Arkhangai, Orkhon, Bayanulgii, Bayanhongor, Dornod, Khentii, and Khuvsgul aimags, and obtained a majority in 118 of the 341 soums [EIU 1996/Q4]. The MPRP's nationwide organisational advantage was central to its victory in the 1992 elections. However, other parties are gradually increasing their institutional strength, the political system is able to offer better choice to voters, and the main parties are better able to use the mass media for campaigns.

Other signs of democratization and civil society exist. Political debate takes place uncensored, and includes a broad spectrum. A free and lively press and media have emerged, with an expansion in the number of newspapers (525 by 1996), TV stations and radio stations. Accordingly, access to alternative points of view has increased, although much less so for rural populations. Yet, according to a media survey by the Press Institute of Mongolia in 1997, state media continue to dominate. The media carry suggestions and opinions from members of the public. The Mongolian press have been active in publicising irregularities and failures, such as the dire conditions within prisons. The principles of transparency and accountability were favourably tested when, in 1995, the government of the time had to declare as void lucrative contracts with two companies, which it had signed in virtual secrecy [Severinghaus 1996]. In the other areas of life, artists have left the creativity-stifling state unions and have formed their own associations and performing companies. Religion of all denominations is practised freely.

The Constitutional Court has emerged as a strong defender of democracy and human rights [Ginsburg and Ganzorig 1996]. The Constitutional Court deliberates on challenges to legislation and cases involving high officials, and may be approached directly by a citizen, the President, Hural, Supreme Court, Prime Minister or State Prosecutor. The Constitutional Court has deliberated on numerous petitions from the public, and has actively forced the government to re-considered legislation. It has covered areas such as the tax code, law on religion, role of judiciary, electoral malpractice, police abuses and high level corruption.

### **3.8.2 Non-Governmental Organizations**

The government has instituted various measures to ensure a more active participation of the population in the economic and political processes of the country. This includes decentralization of both economic and political power to the aimag level and below. This issue is discussed in the following chapter. Another way in which the government has opened the way to greater participation is through the facilitating of NGO activities.

The practical meaning of NGO participation has changed since 1990. Previously only associations sanctioned and controlled by the MPRP were formally allowed! and the MPRP remained the vanguard of all government and mass organisations.

The 1992 Constitution has guaranteed the right of association, free from state ideology and policy. This has introduced a more genuine sense of participation to Mongolia and encouraged the emergence of an array of social and community organizations that have established themselves independently of state structures. The NGO Law was passed in February 1997, after the draft was returned by the legislature for amendments in 1991. This has improved the legal status of NGOs. There are no restrictions on activity, except that NGOs should respect laws, be open, be able to manage themselves and run non-profit activities.

The number of NGOs registered at the Ministry of Justice has increased rapidly, growing from 7 in 1992 to 770 in 1996. Many of these organizations are paper organizations, lacking funding and committed staff to promote institutional growth. There are perhaps about 50 active organizations. NGOs in Mongolia face large financing problems. The NGO Law gives non-profit organizations tax exemptions on money raised, and gives individuals tax deductions on contributions. Building management capacity and finding the resources to invest in management tools, will be important factors for future development of NGOs in Mongolia. A better use of existing poverty and welfare information would help to tighten membership criteria, and lead to better poverty targeting. As yet, no NGOs systematically use the available poverty information in defining their membership, or in programme planning [Centre for Social Development with Peyra 1997]. Community activity in rural areas continues to be organised along extended family lines, for example, in co-operating to drill wells, making felt, and constructing shelters for livestock. In certain areas mobile community schools have been opened. Few NGOs have outreach beyond Ulaanbaatar, let alone outside aimag centres.

Those which may be properly considered as having national coverage, including branches and membership in rural areas, were mostly formed under the communist period. The almost complete absence of the new NGOs in many of the rural areas is a major weakness of NGO activity in Mongolia at this time. Rural populations tend to have knowledge of organisations developed under the communist period. Connected to this is the relatively low sense of participation by members and accountability of decision-makers in NGOs,

perhaps related to the impression that NGOs are serving to replace (rather than complement) public services under transition. The result appears to be a top-down approach, treating members as objects of charity [CSD with Peyra 1997]. Participatory, self-help methodologies are yet to really emerge. An important hurdle will be to find appropriate focal points for such approaches, especially in rural areas, in order to form socially cohesive and active groups of people

### 3.8.3 Meeting Expectations within a Democracy

Despite genuine attempts by the government to foster an open and participatory democracy, not all groups and individuals are yet able to reach their full economic, social and political potential, and not all may feel that they are experiencing the benefits of an open and democratic society. Indeed democracy on its own will not be sufficient to ensure the participation of the poor and vulnerable in the economy though it may force the government to take heed of these groups' concerns in society. Lack of infrastructure, scarce transport and low incomes mean that many people in remote rural areas still live in isolation from mainstream economic and social developments. Mongolia's democracy is young, however. A long process of political development will be required to draw together diverse interests and weave them into a cohesive system that benefits all groups in society

A major task for Mongolia's young democracy will be to manage competing demands and maintain its population's support for reforms. In the MHDR 1996 survey 35 per cent of people reported that the single most notable achievement of transition was that life had got worse. The other responses were possession of private property (9 per cent), participation in free elections (21 per cent), engagement in business (10 per cent), and privacy (23 per cent), with other responses making up the balance. In addition, in the survey all aimag governors, 80 per cent of soum governors, and 60 per cent of bagh governors believed social instability and disorder to be major challenges of the future.

Table 3.8.1  
PEOPLE'S ASPIRATIONS

Immediate Hopes		Long-term hopes	
To be employed	28.2	Good health	23.0
Increase income	28.0	Wealthy life	17.8
To be educated	13.4	Good job	17.0
Improve living conditions	12.2	Money	10.7
Change jobs	6.7	Education	10.6
Get health service	6.6	Qualification and profession	9.8
Get married	1.5	Good Family life	8.1
Job promotion	1.5	Others	1.7
Others	1.8	Good Career	1.3
	100		100

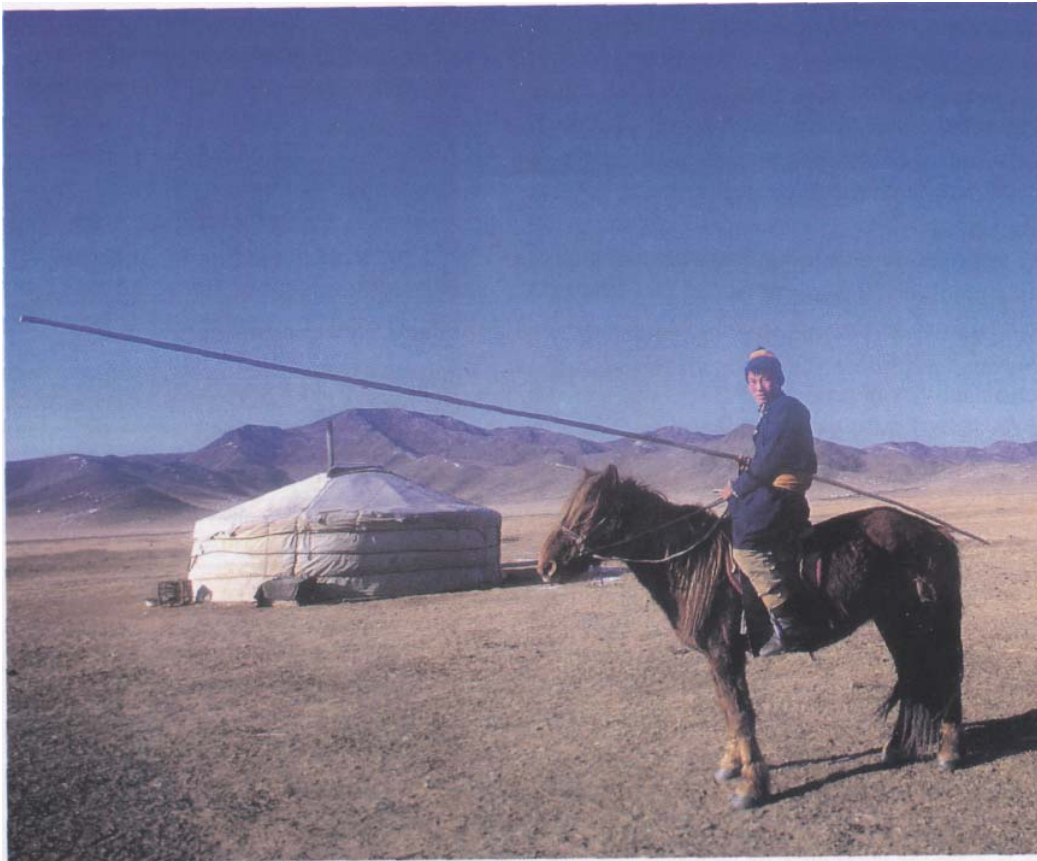
Source: MHDR 1997 Survey.

Experience in other countries shows that liberalization of a command economy is far easier than creating a socially just market economy. Across the developing and ex-socialist world, there has been a large variation in the distribution of the benefits of liberalization. Furthermore, there are many different types of market economies. Unless the operation and the results of the market system in a particular country are judged to be fair by the population, the system may become socially and politically unsustainable. Our survey shows that the expectations of people are grounded in the basic elements of human development (see table). Promoting human development has therefore a strong political case in Mongolia. Central to this will be the way Mongolia addresses the pressing social issues arising from the reform process itself.

The main challenge facing Mongolia with regard to furthering human rights rests in managing expectations. Much of the political process in Mongolia since 1990 has been direct (hunger strikes, mass demonstrations, direct negotiation, etc.). This is a sign of the strength of free politics in Mongolia, but, if large and persistent, may signal that the political system is unable to represent and

manage competing views. This may also have detrimental effects on governance, equity, and investor confidence in the government, especially if decisions are reversed on an ad hoc basis due to direct lobbying.

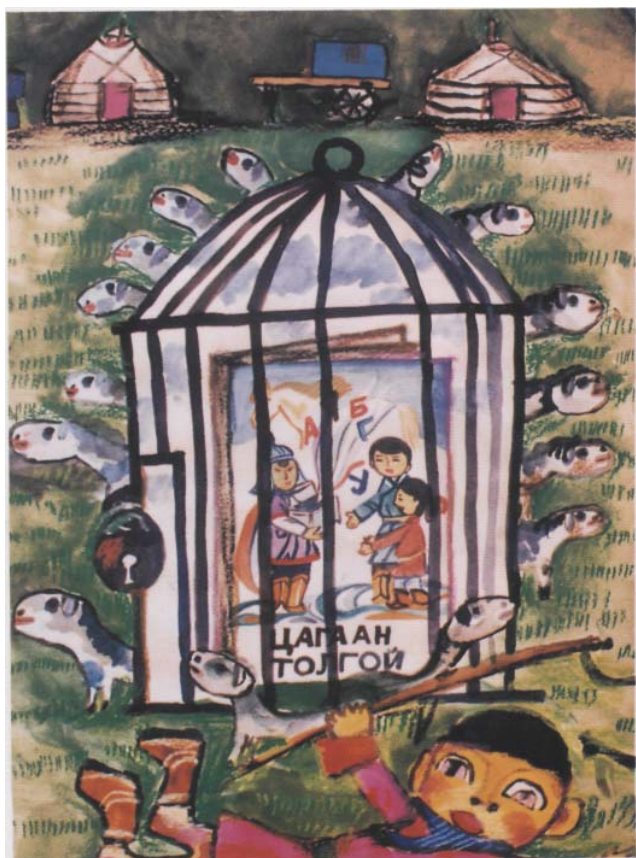
A final vehicle through which greater community participation and empowerment can be fostered is access to information, especially regarding processes and decisions of the government. The 1992 Constitution affirms the right to information, except where state secrets are concerned (Point 17, Article 16). The official 'State Information' monthly publicises Government Resolutions, decisions made by the State Ikh Hural, President's Orders and Decisions of the Constitutional courts. In practice however access to information can be quite difficult for the ordinary citizen and organizations, and many of the key decision-making processes remain hidden from view. This remains a key bottleneck to increasing accountability and transparency. The situation has improved with the recent agreement to release information on voting decisions of individual parliamentarians. The problem with information availability has often as much to do with the absence of established or familiar mechanisms for open access to information as it has with the reluctance to make information available.





## ANALYSIS OF MAJOR POLICY INITIATIVES

In the current state of economic austerity, Mongolia needs to integrate better its growth strategy with its anti-poverty strategy. Revenue raising is a critical part of Mongolia's ability to meet safety net and social sector commitments, in order to ensure that poverty and weakening social foundations do not put a brake on growth and the reform process. Potentially, decentralization can bring decision-making closer to people and encourage greater accountability of officials. Further review of the present system of intergovernmental powers, local capacity and fiscal relations would help realize these goals.



whilst paying insufficient attention to the levels and distribution of burdens imposed on households, with the wrong assumption that favourable macroeconomic indicators automatically translate into expanding livelihoods.

Over the last seven years in Mongolia, it has often been difficult to strike a balance between these two potential pitfalls. Both macroeconomic stability and protecting the livelihoods of the population have been objectives of parallel importance, but often they have appeared to pose mutually exclusive policy choices. On balance it has been the economic indicators that have seen a gradual improvement but the human cost has been high. This section analyses the issues confronting the government in its pursuit of future growth, and the human development issues connected with this strategy.

## 4.1 Macroeconomic Policy and Human Development

### 4.1.1 Introduction

From the human development perspective, an important yardstick to judge the success of macroeconomic performance, is whether people are better or worse off in terms of attaining stable and secure livelihoods. Assessing this issue is very complex, and it is easy to make two equally disturbing mistakes:

- one is to ignore the necessity of strong macroeconomic policies, and instead to pursue sectoral policies which lead to economy-wide imbalances (e.g. inflation), which also undermine people's livelihoods;
- the other mistake is to pursue macroeconomic

### 4.1.2 Economic Growth and Human Development

After an initial period of managed liberalization in the early 1990s, the pace of reform increased rapidly and intensified with several bold policy measures in the past year. The central economic objectives of transition have been to stabilize the Mongolian economy within more sustainable macroeconomic boundaries, and to create the markets within which the productive potential of the private sector could be released. The policy tools overlap in their objectives, but mainly they have aimed to reduce aggregate demand in line with aggregate supply, while production is switched from non-tradable goods and services, to tradables. The hope is that Mongolia will be able to insert itself into the global economy more fully, using its supposed comparative advantage in natural resources, especially as domestic production responds to liberalized prices, which better reflect the scarcity of factors of production in the country. The government believes that both weak infrastructure and poor financial sector development remain key constraints to achieving private sector-led growth.

Properly working, efficient markets can promote human development, especially if rapid rises in economic growth are realized. Mongolia's strategy is based on the



premise that the country as a whole is poor, and the best way to reduce poverty is through growth. At this general level, such a view is indisputable. It is also supported by international experience. Where inequality is not a hindrance, growth does indeed reduce poverty. In general, human development in most developing countries is constrained to a large extent by insufficient growth [Ravallion 1996]. This statement strongly applies to Mongolia's present economic situation. However, this provides no reason for complacency. The evidence also shows the impact of growth on poverty and human misery varies from country to country. The most important explanatory factors are: structure of production; a country's endowments; initial distribution of assets and human capital; and policy choices. All combine to influence the extent to which the poor share in the benefits of growth.

In, Mongolia, the role of government has been essentially one of promoting growth, plus the creation of some basic safety nets for those that fall out of the growth process. Although Mongolia has forged ahead with the former objective, the latter is at present far from completely effective.

Government's anti-poverty agenda includes a target to cut poverty to 10 per cent by the year 2000, while accelerating the implementation of the National Poverty Alleviation Programme (NPAP), and providing assistance to some targeted vulnerable groups via an insurance and transfers system. Some Tg 3.1 billion was spent in 1996 on transfers and care centres, and the government has stated it intends to double that figure in 1997.

Designed in 1994, the NPAP is a wide-ranging and comprehensive attempt to address poverty issues by generating temporary and permanent employment through finance and training; funds to improve health and education services; and income and in-kind transfers. Progressive elements of the programme include an explicit acknowledgement of gender issues, facilitating participation, and embracing a notion of poverty wider than just income deprivation. It is widely acknowledged within the government that, based on its initial experience, NPAP could be improved substantially, especially in terms of its anti-poverty impact. NPAP remains under-funded with

much of the programmed financial commitments not having been realized yet, due in some part to delays in disbursement of funds. So far the total disbursement of pro-poor credit and transfers through NPAP of about US\$1.8 million (including US\$29,000 from government), is small in relation to the numbers of poor.

The number of people eligible within the government's other transfers-windows have been gradually reduced, and the real value of transfers has been allowed to decline. Previous problems of delayed payments within the insurance system have improved greatly, though the real value of payments has also eroded. The government's commitments within NPAP, the social insurance system, and the transfer system need to be realized more vigorously.

#### 4.1.3 Poverty Reduction as a Basis for Economic Growth

Based on correlations between reductions in poverty and economic growth in developing countries, Mongolia would have to sustain a GDP/capita growth rate of over 6



per cent per annum if the targeted poverty reduction goal is to be met by the year 2000. As was noted in the analysis of Chapter 3, the responsiveness of poverty reduction in Mongolia to growth has been sluggish, implying that the assumption that poverty can be reduced to 10 per cent through a 6 per cent growth rate is over-optimistic. Either even higher growth rates would be needed (unrealistic under present predictions), or the responsiveness of poverty to growth needs to be improved. The sharply worsened disparities in human development - especially through inter-generational mechanisms in terms of the deprivations of children of the poor - makes Mongolia's future poverty reduction and economic growth harder to realize.

World Bank research comes to much the same conclusion. "Persistently high inequality inhibits longer term progress in fighting poverty - when inequality is high, the gains to the poor from a given rate of growth will be lower, and there is some evidence that the expected rate of growth will also be lower" [Ravallion 1996].

Based on considerable growth experiences of many countries, the Global HDR 1996 concluded that growth will not automatically reduce poverty. The prevailing view is that some growth processes are more effective in reducing poverty than others, and policies which take into account the characteristics and livelihoods of the poor are most likely to yield the best results. This opens a key role for government to help people to avoid falling into poverty in the first place, through policies which foster a pattern of growth that integrates people more strongly into the markets being created. The fundamental point of such a view is that creating an enabling environment will only result in poverty-reducing growth if people have the capabilities to participate in the market. If the pattern of growth keeps adding to the numbers of poor, then net poverty reduction will be impossible, regardless of how strong the safety net.

In the current state of economic austerity, Mongolia needs to find ways to achieve more successfully the following two inter-connected goals: *I/* people-centered growth strategies, and *II* growth-centered anti-poverty strategies. In various anti-poverty and safety net initiatives, the approach to addressing poverty issues in Mongolia could appear as one of treating the symptoms of poverty, rather than preventing the illness in the first place. It is argued therefore that Mongolia's growth policies and anti-poverty policies could be better harmonized, so that they mutually reinforce each other more strongly. This would imply a growth strategy that is more people-centered, and an anti-poverty strategy that is better integrated as part of the growth process itself.

In considering the growth strategy of 'no pain, no gain', it must be recognized that poverty itself is harmful to growth. Short-term stabilization is but one element of putting a country on a long-term sustainable growth path, and poverty-reduction is another. There are several reasons for this, as discussed below.

1. With its low foreign investment, Mongolia must mobilize domestic savings to raise much needed investment rates - poverty depresses savings rates, as poor households, by necessity, have to consume most of their incomes. Savings rates are likely to be very low in certain parts of the country which have large numbers of poor, and since the financial sector is weak in rural areas, investment in many parts of the country will remain thin and less efficient.

Large numbers of low-income people have succeeded in privately financing entry into many informal sector activities, thereby avoid poverty; but many of these otherwise vibrant businesses are based on precarious cash-flow levels (and are vulnerable to bankruptcy).

2. Poverty lowers demand for goods, and by switching demand to cheaper, often self-produced substitutes, can lead to de-skilling of the workforce in some sub-sectors, and increased inefficiency due to loss of economies of scale and of specialization in production.

3. Poverty lowers investment in social capital and skills, both in the current generation and in the next generation. Poor health and nutrition is a strong determinant of work effort and capabilities. Poor parents under-invest in the schooling of children, and health care.

4. The number of poor people in Mongolia has risen by 132,000 people in the past five years, placing greater pressure on already inadequate safety nets, and making it increasingly difficult to meet fiscal targets to keep the macroeconomy stable. This may perpetuate the harsh fiscal austerity of stabilization. Such concerns are especially pressing given that the working population pay for the safety nets of the rest, either privately or through public mechanisms. Mongolia's high dependency ratio (non-working age population as a proportion of working-age), is one aspect of this. Poverty and unemployment reinforce the fiscal burdens on the working population, by depressing the financial contribution of the poor towards their own and others' safety nets. Policies within growth strategies should ensure that chronic poverty amongst people of working-age is eliminated, and safety nets should be reserved for dealing with transient poverty and those unable to work.

5. Poverty limits the revenue base, especially in the decentralized regions, and by limiting revenue generation, restricts expenditures on human investments in health and education.

6. Poverty often tempts people into inefficient solutions, especially within contexts of common property. This runs special risks for Mongolia's environmental base, which forms a large part of the present rural safety net, and with proper investment is a major potential source of future poverty reduction. Inequality in wealth, and consequently power, may also contribute to inefficient management of common property.

7. Worsened nutrition, increased illness, and redundant skills decrease labour productivity. Labour shedding

increases profitability and efficiency at the enterprise level (arguably preconditions for an ill enterprise to grow), but during the lag before output increases, it does nothing to increase national productivity per person, when the whole workforce - employed, underemployed and unemployed - is considered. Sustainable growth and poverty reduction is most rapid when all people increase productivity and output.

Given that poverty puts a brake on growth, anti-poverty policies should be an integral part of a country's growth strategy. What shape might a more people-centered growth, growth-centered anti-poverty strategy take? Three simultaneous elements need to be addressed: 1/ market-led growth, based initially on exploiting Mongolia's natural resource-based comparative advantage, with the longer term view to shifting comparative advantage into higher-skilled manufacturing and processing through combining Mongolia's formally qualified workforce with improved technology, management practices, and skills re-training; 2/ investing in labour-intensive industry, especially in rural areas, and paying greater policy attention to key sectors in which the poor make a living such as livestock, urban petty production, and the informal sector; and 3/ reversing the decline in social capital, through restructuring and increasing the expenditure and revenues.

## 4.2 Financing Human Development

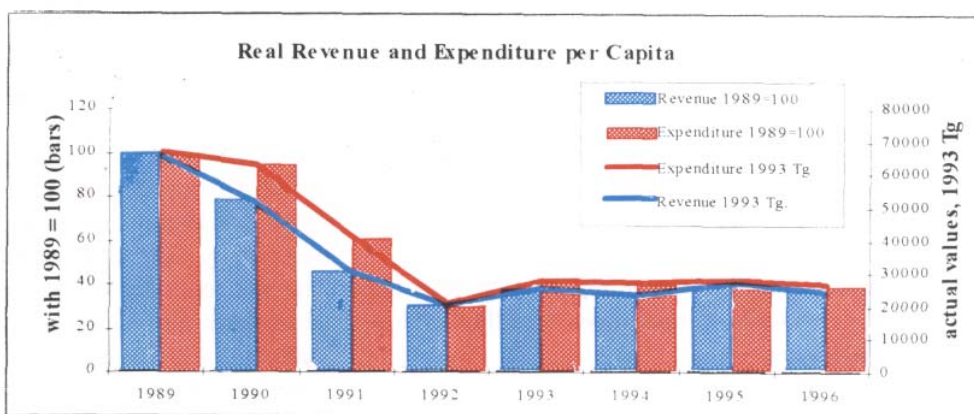
### 4.2.1 Introduction

Progress in human development is linked to the capacity to finance it. But the manner in which finance is generated can in itself affect human development. Public expenditures on social sectors, for instance, depend on revenues that in large part are raised by taxes. The structure of taxes can in turn affect human well-being through their impact on income and consumption. This section looks at recent developments in Mongolia regarding the financing of human development and its impact on human well-being.

Public finance restructuring has involved adjustments in both the revenue and expenditure sides, and has changed total levels and composition of expenditure in the social sectors. Government revenue and expenditures

were down to about one-third of GDP in 1996. In per capita terms, by 1996 real expenditures and revenues had fallen by over 60 per cent of their 1989 levels (see figure 4.2.1). The fall in revenue per capita was faster than expenditures, reflecting the sudden external finance and output declines.

The level of public expenditure has remained relatively constant since 1993 and has exceeded revenues by no greater than 4-9 per cent. Given low revenues, cutting expenditure back almost to the level of revenues has been a major achievement towards limiting potential inflationary pressures from the financing of deficits. On the other hand, it has had serious consequences on the financing, and hence the performance of, the social sectors and social benefits.



Source: Calculation based on SSO Statistical Yearbook 1996

### 4.2.2 Health and Education Financing

Both the health and education sectors have been severely hit by the budgetary restrictions of recent years, with cuts of 42 per cent and 53 per cent respectively in real per capita expenditure since 1991. Until 1992, expenditure as a share of GDP for both sectors saw a decline, but this has improved slightly in recent years. Education expenditure, as a share of GDP, was 5.6 per cent in 1996 as compared to 11.3 per cent in 1990. Expenditure in the health sector constituted 3.7 per cent of GDP in 1996 as opposed to 5.4 per cent in 1990. The main impact of the cuts in expenditure on health and education have been felt in the decline in the number of clinics, primary schools and kindergartens, the cutting back of staff, shortage of medication and basic teaching materials, higher pupil/teacher ratios and the partial removal of subsidies on school meals. The cumulative negative effect of these cuts on the quality and extent of social services in the country has already been highlighted in previous chapters. In 1996, the government pledged to reallocate public expenditure to health and education from other sectors, although the level and nature of these shifts were not known at the time of the preparation of this report.

### 4.2.3 Social Safety Net Expenditures

The government's safety net is composed of an insurance-based system and a targeted transfer system. The costs for these totalled 5.7 per cent of GDP in 1996, representing 17.5 per cent of public expenditure, and an average burden in real terms of Tg 4,521 per person (1993 prices). The government's burden as a share of GDP on transfers was halved between 1992-95 (based on Ministry of Finance data).

There are four windows within the social assistance system: 1/ transfer-pensions, 2/ allowances, 3/ services, and 4/ subsidies. Transfer-pensions are targeted at the elderly below the poverty line, the disabled, families without a breadwinner, and unemployed household heads who have more than 4 children and are below the poverty line. Allowances are basically child and infant related - maternity payments, monthly child allowances, annual payments to families with more than 4 children under 16 years old, one-off payment at the birth of twins, and maintenance for adopting an orphan. Services refer to in-kind transfers - homes for the elderly, training and rehabilitation for the disabled, schooling of orphans, care stations for the poorest, food for triplets (until age of four years) and poor households with more than 4 children. The remaining subsidies - for utilities and housing - are targeted to the elderly and the disabled.

The number of people coming under assistance schemes has been gradually reduced overall. Within these numbers, there has been an increase in the elderly (because of large numbers of early-retirement takers) and pregnancy related beneficiaries, whilst the number of child allowance and large family beneficiaries has decreased. The total in 1996 was 452,700 people. The real value of allowances has decreased, although several nominal increases have been awarded. Importantly, most allowances are based on the minimum cost of living (the official poverty line), the value of which has not kept up with inflation. Most allowances are now scarcely adequate for people to meet the most basic needs.

Social insurance is composed of retirement pensions, unemployment benefits, life insurance, work-related injury insurance, and health insurance. In 1996, 284,300 people received payments under the various insurance schemes. Complex conditions of entitlement and the bureaucratic procedures entailed in obtaining insurance compensations means that many people in need never actually obtain compensation. For example, less than 3 per cent of the unemployed receive compensation at any one time. However, pension rates for those who retired before 1995 have recently been increased by 30 - 50 per cent. At the same time some 103,000 early-age pensioners who were forced into early retirement during the 1991 privatization drive, have lost their pension benefits, though they continue to receive social assistance at a lower rate than the pension rate.

The insurance system is funded by contributions from employers, employees (since 1995) and public subsidy. The share funded by subsidy has fallen from approximately 50 per cent in 1991 to just over 30 per cent in 1996. The present government has been attempting to rationalize the allocation of subsidies to different insurance schemes and to gradually transform these schemes into wholly self-financing entities. This will inevitably require proportionately larger contributions from employers and employees, putting further pressure on individual incomes.

### 4.2.4 Tax Reform and Revenue Generation

The government has been devoting specific attention to the issue of revenues, and particularly to the structure of taxation required to raise revenues. In 1996, of total government revenue 63 per cent was obtained from taxes, of which 45 per cent was derived from taxation on enterprise profits and capital gains, 10 per cent from domestic sales tax, 6.5 per cent from personal income tax and 14.6 per cent from customs duties and import surcharges. The government's aim has been to reduce the overall tax burden and to bring about a major restructuring of the tax system in order to broaden the tax base and shift the tax burden from investment to consumption. The tax package approved in April 1997 foresees the reduction of direct taxes in favor of a relative increase in indirect taxation. Thus domestic sales tax is expected to be expanded into a general value added tax on all sales of goods and services. Excise tax has been increased on imported petroleum, spirits and vodka and has also been expanded to include passenger vehicles. Income tax scales have been simplified and made more progressive so that the better off now pay a proportionately higher rate of tax while tax levels at the lower end of the scale have been reduced. Meanwhile, enterprise income tax has been lowered for all but the 75 largest taxpayers and the structure simplified to include just two tax brackets. In order to liberalize trade and as part of the government's strategy to make Mongolia competitive in the international sphere, most customs duties have virtually been abolished.

In the short-term, the revised tax structure is expected to result in a fall in revenue receipts. But in the longer term, the government anticipates that the incentives to investment provided by the new tax structure will result in much higher overall revenues as the business sector begins to prosper. However, the issue of concern is the effect the tax structure will have on people's incomes and consumption, especially those in the lower income groups. Figure 4.2.2 attempts to list the possible positive and negative effects of changes in the main taxation categories. Social insurance contributions are counted as tax revenues and have been included in the table.

Figure 4.2.2 Effect of different types of taxation on human development concerns

Type of tax (estimated contribution to tax revenues in 1997)	Nature of actual/pipelined change	Potential Impact on Human Development	
		Positive	Negative
Enterprise Income Tax	Two taxable income brackets instead of four; lower tax rate in each bracket but removal of all exemptions for all enterprises above the minimum bracket	Improved incentives for investment expected to generate more jobs	
Sales Tax (New system to be put into effect in 1998)	Change from selective sales tax to across the board VAT of 10 per cent on all goods and services		Regressive in effect as will erode people's real income. The poor tend to be hit proportionately harder than the better off.
Excise Tax	Effective value doubled and expanded to include tax on passenger vehicles	Higher tax on alcohol could have beneficial health effects if induces reduction in consumption. Revenues for other items coming chiefly from the better off.	If alcohol consumption is inelastic, effect on household incomes could be highly negative.
Personal Income Tax	Three taxable income brackets instead of five; has become more progressive with tax rates lowered at bottom end but increased at higher end	Progressive scales mean that better off are paying more than the poor; lower rates across the board favour the poor proportionately more than the better off.	
Import Duties	Almost all eliminated since early 1997 In the longer term likely to cut production costs, spur investments and improve productivity all of which should help generate more jobs and higher incomes;	Importation of cheaper consumer goods will have positive impact on real purchasing power of consumers. Cheaper imported inputs expected to lower production costs, improve productivity and eventually result in more income and employment opportunities	Could serve to make more local industries uncompetitive leading to closure and loss of jobs
Social Security Contributions	Amount of social security contributions from employers and employees being increased in 1997 by 30 per cent	Puts the social security system on stronger financial footing	Places additional pressure on individual incomes



Some aspects of the new tax structure could squeeze the income of the poorer sections of the population harder, particularly in the short-term. The proposed value added tax, if applied across the board, is likely to be regressive in its effect, as it will hit lower income people proportionately more than those with higher incomes. On the other hand, the more progressive structure of the income tax is likely to favour those earning a relatively lower income, as the wealthier will pay more than the less well-off.

The removal of import duties may have a dual effect. On the one hand it is feared that it will provide the final blow to those local businesses that find they are no longer able to operate in the face of cheaper competition from abroad. Thus in the short term, one might expect to see additional business failures and redundancies doing little to help the unemployment situation, particularly in urban areas. On the other hand, the availability of cheaper imported inputs could also have a positive impact on industries, reducing production costs and making output more competitive, thus spurring greater production and generating more jobs. This in turn is expected eventually to help generate more revenue. Since a large proportion of consumer items are imported, the removal of import duties is also serving to make these items cheaper to the average person, thus enhancing real purchasing power.

It is too early to assess the full impact of the new tax structure in terms of improving the livelihoods of the average person, but clearly much will depend on whether the productive sector is able to respond to the investment incentives which the new structure is intended to provide. There are two additional sources of revenue which the government hopes to tap into, and which could help to counter the anticipated short-term fall in revenue resulting from the tax reforms. One is to obtain revenues through the continued sale of remaining state assets to the private sector. For the moment this has slowed down and the prospects for obtaining significant revenues from this source have declined. The other is to improve tax collection capability. It is anticipated that tax yields are less than 20 per cent of the potentially collectable tax revenue. This problem is likely to become even more acute as goods and services begin to constitute a more important share of tax revenue. VAT payments can be difficult to control and verify, and a significant loss of revenue can be anticipated. This issue is being addressed by the government through a review of its tax collection mechanisms and training programs to improve tax collection capacity.

The government may also need to look at more innovative ways of generating additional revenues by experimenting with approaches tried in other countries, such as allocating a share of local companies' profits to

a local welfare fund that can be used to finance local social welfare projects. For instance, international companies that are contracted to undertake mining in certain aimags could be requested to devote a portion of their outlays to assisting in local health, education and environmental improvements. This has been tried successfully in a number of countries as companies find that productivity improves when they invest in local social infrastructure. Greater autonomy for local aimags and soums to approach international NGOs for financial assistance in the improvement of local health and education services could also yield substantial gains. NGOs have a well-established capacity to raise funds for local projects from sources that are not easily tapped by bilateral or multilateral donors.

#### **4.2.5 Public Expenditure and Human Development**

In the immediate future the government will have to continue to contend with limited revenues. The anticipated short-term fall in revenues is likely to aggravate the already desperately tight expenditure limits faced by the government. This in turn is expected to have negative short-term consequences for the population at large, and bring little relief to the already beleaguered social sectors. Given the limited revenues at hand, room for maneuver is small. The government cannot afford to exceed revenues if macroeconomic stability is to be maintained.

In response to considerable public pressure, the government has begun to shift expenditures towards education and health care by moving funds away from what it considers to be unproductive current expenditures. This has resulted in cuts elsewhere in its budget, chiefly in its contributions to social benefits and the removal of subsidies for heating costs. In the case of the latter this resulted in a 60 per cent increase in energy prices in 1996 with inevitable negative repercussions on household budgets. This illustrates well the dilemma faced by the government as every expenditure shift requires an agonizing assessment of trade-offs between parallel social objectives and between social and economic objectives. In many instances, the social returns of different types of expenditure are extremely difficult to evaluate, and more so those that are designed to improve the economic incentive framework so as to yield favorable social impacts in the future but which result in social hardships in the present. Trade-offs through time are also hard to evaluate, as postponed expenditures may impose large costs later, especially in the social sectors.

At the same time, however, there could be scope for better internal financial management within the government as well as greater efficiency in expenditure under different budget categories and sub-sectors. This could serve to ensure that existing revenues are used more effectively and systematically.

In the health sector, for instance, the scope for rationalizing the structure of the health service has already been recognized with the emphasis in expenditure being gradually shifted from more expensive urban based hospitals to addressing more widespread primary health care needs. There has also been a focus to economize on existing expenditures under major categories such as heating. Because of the unusually harsh winters, about 10 and 20 per cent of the government's expenditure in the health and education sectors respectively is devoted to covering energy costs. A UNDP funded project<sup>1</sup> MON/97/301 Energy Efficient Social Service Reform<sup>2</sup> has been assisting the government in experimenting with cheap insulating materials to be used in schools and health centre buildings and which could eventually cut heating bills by half.

A final important area where there is scope for improved financial management is in the structure of intra-governmental fiscal relations. Weakness and lack of clarity in this area is resulting in poor revenue raising strategies at the local level as well as inefficient expenditure practices. The issue of government decentralization including fiscal relations is dealt with under the following section.

## 4.3 Decentralization

### 4.3.1 Recent Administrative Changes

An important part of the government's reforms has been the decentralization of state power to the local aimags and levels below. This has encompassed issues of policy co-ordination, institutional change, auditing systems, procurement procedures, taxation, and personnel development [Collins and Nixon 1993]. Decentralization of public administration is motivated by several reasons, including: *I/* the wish to modernize the civil service to correspond to the new political culture of greater accountability and transparency of government; *II* to reform the role of local government structures from meeting the demands of a centralized command economy, to those of a market economy; *3/* to adjust to the severe public sector budgetary squeeze, by transferring responsibility from the central government to local government in the hope of attaining greater efficiency in the use of resources. In Mongolia's context of a highly dispersed population, decentralization is an important opportunity to match government to local needs.

The structure of central government was altered in July and August 1996 following amendments to the Law on Government (see annex for a detailed diagram of government structures). Currently central government consists of 3 central ministries (Finance; External Relations; and Law) and 6 line ministries (Nature and Environment; Defense; Science, Technology, Education and Culture;

Infrastructure; Agriculture and Production; Health and Social Security). Separate from the ministries, there are 54 government entities fulfilling a variety of regulatory and administrative functions. Ministries are responsible for strategic planning, policy guidance, program development, and co-ordination, monitoring and evaluation of policy implementation.

For administration purposes, Mongolia is divided into provinces (aimags) and one capital city (Ulaanbaatar). The aimags are further divided into soums, and the capital city into duuregs (districts). Soums are divided into baghs, and districts into horoos. Each administrative level has a hural (assembly) and a governor. Governors serve a term of four years, being nominated by hurals and approved/ appointed by the Prime Minister. As local representatives of the government, governors are responsible for planning, policy and evaluation. The governor of each level is accountable to the governor at the level of administration above. The governor is the link between central government and local institutions.

### 4.3.2 Decentralization - An Assessment So Far

The commitment to decentralization has been wide and strong at all levels of government. This appears in the form of: *1/* substantial constitutional and other legal reforms; *2/* down-sizing in public sector staff and budgets, especially central government; and *3/* efforts to delegate functions to the local administration. Decentralization has involved an attempt to make ministries adopt more policy analysis and advisory roles, both to higher authorities and to lower institutions.

Potentially, decentralization can greatly help improve human development. It brings the decision-making process closer to the people and encourages greater accountability of local government to communities. It can also ensure that public expenditure is more closely tailored to the needs and priorities of the local population and hence more efficient. But in Mongolia there is still some way to go before these benefits become a reality.

The changes instituted in Mongolia, have resulted in some degree of vertical decentralization, by-which some powers of central government have been passed down to lower levels of government. However, the common opinion is that so far, much of the effects of the legislative reforms have been more on paper, than real. The legislative framework offers greater scope for a delegation of power to lower authorities than is practised so far. In a study of 6 aimags it was observed that more than 60 per cent of the functions carried out by local public service organizations are assigned by laws adopted by the State Ikh Hural, 30 per cent by government resolutions and ministerial decrees, and 10 per cent by decisions made at the local level [Report of UNDP Mongolia Project MON/94/102/04].

Decentralization in Mongolia operates somewhere between pure 'delegation' (defined as local decision-making autonomy with central government veto) and a lesser form of decentralization called 'deconcentration' (defined as the passing down only of administrative discretion, with few decisions being allowed without reference to the central authorities). The mix between delegation and deconcentration in practice varies between the different levels of government, showing greater tendencies towards deconcentration at lower levels of government. In other words, at the aimag level, authorities work within some degree of autonomy delegated from the centre, but their relationships to lower levels of government is to a large extent one of operating branch entities that carry out aimag decisions in the local areas.

It is not only the people, but the government as well, that is trying to find solutions to the problems of transition:

Mr. Ulziibat, governor of Tsakhir soum in Arkhangai aimag, in co-operation with townspeople, started a weekly bus service between Ulaanbaatar and the soum: "This provides the people with the opportunity not only to sell their fresh dairy products in the city, but to visit their relatives as well." In an effort to boost internal trade, 3 shops have been opened at the soum centre to allow people to market their products. Mr. Ulziibat says that, with the active participation of bagh (village) leaders, they have made considerable progress in raising awareness among the people about "self-discipline and responsibility." According to the governor, Tsakhir soum "takes the second place in the whole aimag in economizing, saving money, increasing co-operation among townspeople, renting unutilized buildings and increasing income from other sources."

Horizontal decentralization, referring to the distribution of power at each level of government, applies both at the central government level and at the aimag level. At the central government level this has been part of recent efforts to streamline the responsibilities of central ministries, in order to cut the size of the public sector. At the aimag level, however, there has been a counter-tendency of horizontal centralization towards the aimag governors. Power has been largely delegated to aimag governors who hold key responsibilities over and above those at lower levels of the government. Importantly, local level councils of the National Poverty Alleviation Programme are headed by the aimag governor, as are the other social sector transfers and services. In most aimags the balancing functions of hurals and civic organizations are in practice partial or absent. Although the citizens' representatives' hurals have a legislative base to debate, advise and participate in the decision-making process, in effect the aimag governors wield a great deal of power at the local level.

Importantly governors can veto decisions by the aimag hural, and have authority over local budgets and taxes.

The effect of these limitations with horizontal and vertical decentralization is to dilute the potential of lower level government structures to attend to specific concerns of local people. Although they may act as a channel for the expression of local level concerns, the ability of the local governments to be responsive is necessarily impeded by lack of real financial and decision-making autonomy.

#### **4.3.3 Making Decentralization More Effective**

The reasons for the partial nature of decentralization to date are several. Firstly, there are factors such as unfamiliarity with the process of local decision-making and creating policy initiatives, given years of operating under a centrally planned system where directives were generally provided in atop-down fashion. Secondly, duties of central and local administrative entities, including their organization, financial responsibility, and relationship to private entities are defined at a very general level. The day to day details and the legal basis are often unclear and open to wide interpretation [Report of UNDP Mongolia Project MON/94/102/04]. Because of the poor delineation of the rights and duties of central and local bodies, there appears to be much overlapping of responsibilities, resulting in weak co-ordination between sectoral ministries and local authorities. Thirdly, there is a lack of capacity in budget preparation and control, revenue raising, investment planning, auditing and administration. Furthermore, financial constraints and uncertainties have adversely affected the capacity of the local authorities to discharge their duties effectively.

Local budgetary independence is key to creating incentives for local authorities but revenue raising capacity in most aimags remains limited. The Law on Taxation stipulates that only licenses and fees can be levied by local governments at the moment. Revenue from these sources tends to be small. In addition certain enterprise taxes are 'assigned' to local governments but the total amount generated in this way varies considerably according to the prevalence of enterprises in any given aimag. In 1996, local authorities raised 60 per cent of local expenditure and 23 per cent of total government revenue, while spending 35 per cent of total government expenditure. However, there is a large variation across aimags in their financial positions. Selenge, Tuv and Erdenet raise as much revenue as they spend, while Arkhangai, Gobi-altai, Sukhbaatar and Khovd raise revenues amounting to one-fifth of local expenditure. The shortfall in revenues is met by grants from the central government through a system that has not changed much since the time of central planning. Local governments submit a budget each year based on estimates of their required expenditure for the coming fiscal year and within limits indicated by the central government.

After a process of negotiation, the national government approves a given budget for each local government.

An important aspect of this process is that it takes little account of the prevailing socio-economic conditions in each aimag. The allocation of central government grants in 1996 appear to have had hardly any poverty-sensitive re-distributive effects, with the share of local budget expenditure subsidized centrally being uncorrelated both with the aimag-share of total poor persons and with the poverty incidence in the aimag (poor people in aimag as per cent of total population of aimag). Hence the result of the present budgetary process is effectively to perpetuate regional disparities in income and poverty.

Moreover, revenues that are assigned to local governments from the centre tend to be variable and unreliable and this hinders local government capacity for planning or for making efficient and effective expenditures. As local governments now have primary responsibility for health and education within their own areas, it is often these services that suffer most through the uncertainties presented by the current financing system.

It is clear that the government needs to review the present system of fiscal relations between levels of government and clarify the exact delineation of responsibilities.

Particularly important from the human development perspective will be to establish an element of predictability in the allocation of grants so that governments can plan public expenditure on social sectors in a more systematic and effective manner. A greater degree of real autonomy in decision making, particularly with regard to raising revenue and tapping into and utilizing external resources (as mentioned under section 4.2.4 above), could also serve to galvanize local governments into operating in a manner more responsive to the immediate needs of the population.

Two other factors are very important for making decentralization work more effectively. One is to improve local capacity for planning, management and administration. This involves not only improving individual skills but also the management system and organizational environment in which these skills are exercised. The second is to ensure that processes of accountability exist - and this means ensuring that decisions are made at the level where the government is directly answerable to the local population. It also means facilitating the growth of civic organizations and local NGOs as a means of harnessing people's aspirations and acting as intermediaries for better dissemination of information to communities and for the channeling of different interests and concerns in the local community in the direction of the government.

## CONCLUSIONS AND RECOMMENDATIONS.

This document has sought to highlight the main human development issues in Mongolia today. While it has found many positive gains it has also identified a number of important problems, particularly relating to the rapid decline of living standards since 1990 and to the erosion of Mongolia's human and social foundations. The report has examined these issues in the context of the country's overall reform process in an attempt to understand some of the underlying causes of human deprivation, why they may prove difficult to resolve, and to provide guideposts for future action.



#### Poverty is the biggest hurdle for a democratic society

Many issues facing Mongolia can be traced to financial and institutional constraints. These have their roots in the country's transition from a centrally planned, socialist system to a free market economy. Other problems have emerged not only as a result of macroeconomic instability, but also through the measures that have been necessary to stabilize and restructure the economy for growth. It is this conjunction that has made it so difficult to restore standards of living in Mongolia. Growth is essential for overcoming poverty, and macroeconomic stability is essential for achieving that growth. But the path towards growth and stability can risk causing unnecessary misery, if human concerns and needs fail to be addressed adequately. The analysis in this report suggests that the pursuit of growth and stability exclusively can undermine the long term processes of growth, and defeat the whole purpose of reform. In particular, it is important to pay attention to how the burdens of economic reforms are shared by different sections of society.

Based on the analysis of previous chapters, this report offers the following recommendations:

#### 1. Putting Human Development Centre-stage

•*Re-focusing development strategy.* Human development

should be brought centre-stage within the process of national economic policy-making, with the view that economic adjustment and human development are compatible. This report forwards the two mutually reinforcing strategies of 'human-centred growth' and 'growth-centred anti-poverty' to guide Mongolia's continued transition into a market economy. These two strategies are also highlighted in the global Human Development Reports 1996 and 1997, where they are substantiated by intellectual and empirical evidence based on the experiences of developing countries across the world during the last 40 years.

•*Consistent twin strategy.* Human-centred growth ensures that the benefits of economic growth are widely shared by making people the driving force for the country's growth strategy. Growth-centred anti-poverty ensures that by integrating the country's anti-poverty strategy into the country's overall growth strategy, the burdens of poverty are reduced. This makes poverty reduction a key part of the country's growth process, and reduces the growth inhibiting impact of poverty.

•*Constructive dialogue.* The National Poverty Alleviation Committee is the leading body for addressing policy issues related to poverty reduction. The NPAC should be given greater influence in shaping development strategy. To meet this challenge however, the NPAC needs to strengthen its day-to-day operational links with the different ministries of the government as well as reinforcing its authority and decision-making facilities.

•*Reform process.* Mongolia's economic reform process is central to ensuring a more efficient and sustainable use of the country's economic, natural and human resources. Markets work best in a predictable economic environment, and where prices of goods and services in the economy reflect the availability of resources.



Excessive national debt, inflation, continued macroeconomic deficits, and distortions in price and incentives structures often -though not always - impose burdens on the vulnerable and poor. Mongolia needs to press forward with reforms to achieve a stable economic environment. Its efforts to release the productive potential of people through market deregulation, investments in the financial sector and infrastructure, legislative reforms, and streamlining government intervention must quickly yield higher growth in GDP per capita.

- Firming-up commitments.* Human development goals should command a central position in the policy agenda. The government has included significant human development targets for the year 2000. To increase the pace of human development and reduce human misery over the next four years, targets should be re-articulated, with specific year on year commitments, substantiated by analysis linking specific policy measures to reductions in specific kinds of human deprivations.

This report has highlighted the most pressing human deprivations - such as aimag poverty, and the 'children of transition' - that urgently require the attention of innovative and sound policy analysis. This report has also set up benchmarks against which progress can be assessed. But other independent reports should be commissioned to develop further the information base for policy-makers and advocates of human development in Mongolia.

The foreign aid community should support these commitments with a co-ordinated effort, avoiding the often-encountered pitfalls of conflicting development aid. They should use their global contacts and influence to seek other donors to fill their financing and institutional gaps, and vigorously support Mongolia's continued success in its reform efforts. To firm up commitments fully, both the foreign aid community and the government should use large public forums to reinforce their commitments to human development in Mongolia, along with a clear timetable, and should open their institutions to greater accountability and public scrutiny to measure those commitments. This could follow-up on PAPO's Poverty Eradication Week (October 17-24 1996) and the launch of this report (September 1997).

## **2. Implementing Human Development.**

- Focus.* Macroeconomic programmes should be designed to minimise the burdens while maximizing the benefits of adjustment for the poor. Human-centred growth results from markets that favour the poor. Attention is needed on both the production and the

distribution of 'the economic cake'. Human development is not anti-growth. But the quality of economic growth is just as important as its quantity.

- Human-centred growth and growth-centred antipoverty.*

The key elements of human-centred growth and growth-centred antipoverty are enhancing access of the poor to incomes and markets, and raising returns to labour, both in the formal sectors and the non-formal sectors. Within Mongolia's existing macroeconomic framework, greater attention to outcomes of policies in these terms would forge a stronger partnership between anti-poverty and growth. Providing due consideration to the natural environment would ensure that the partnership would be sustainable over the long term. Access to finance, market information, and raw materials improves access to market activity. Training, skills creation, appropriate technology, and other policies which enhance labour productivity, will raise the returns to labour of the poor. The poor are often excluded from these key inputs of production, and so cannot take advantage of new market opportunities. Such tendencies must be reversed if poverty is not to hold back growth. Removing anti-poor biases from improperly functioning or incomplete markets are important areas for attention.

- Supporting services.* Public interventions should provide cost-effective social services of the type relevant to the poor, such as: carefully designed primary health care (including mother and child care, and immunization); nutrition programmes; basic education (including non-formal and vocational education); affordable housing; clean water and sanitation. Mongolia has initiated constructive reforms in this direction already. The real challenge in Mongolia continues to be to keep social expenditure on the priority list, and to provide better services with increasing national wealth. This involves a more explicit recognition of the trade-offs involved, and the shifting nature of those trade-offs as the circumstances of the country change.

- Safety nets.* Safety nets should be designed to protect the vulnerable from the effects of economic transition, natural disasters, and/or death of the household breadwinner. This means making sure all the needy are covered, protecting benefits from inflation, and strengthening family and traditional support systems. Safety nets should include mechanisms to encourage people to aim towards self-reliance. These interventions should be targeted and present targetting systems need to be tested for poverty sensitivity. They should be free for those who cannot afford to pay. Reliable ways should be devised to identify those who cannot pay and those who can.

### 3. Realizing Human Potential.

- *Re-affirming the purpose of Mongolia's transition.* The value of creating markets, undergoing political transition, and implementing social reforms is in the way all three allow people to realize their potential. The key objective for human development in Mongolia should be to provide all Mongolians with a voice, allowing them the means to realise their aspirations, and equalising opportunities and justice.
- *Enabling participation.* An environment which enables people to participate and exercise free choice requires the removal of barriers which limit people's choices in the market, in the home, and in political participation. This implies a set of inter-related and mutually reinforcing changes within the polity, the economy, culture, household and society. It implies addressing biases within market processes and discrimination, in terms of, for example, gender. Reinforcing Mongolia's process of democracy and

putting substantial force behind the government's decentralization reforms will be important goals for furthering transparent, predictable and accountable governance.

*\*Civic Empowerment.* Increased equality-promoting civil organizations, participation of people in decision-making, and the development of 'capabilities' in all sections of society will together empower people to exercise choice. Much progress has been made in encouraging the emergence of NGOs in Mongolia, an important potential vehicle for greater participation by ordinary people in civil society and in the process of development. But there is scope to strengthen their activities through further clarification of the framework of co-operation between NGOs and the government. While the right to information has been confirmed constitutionally, improved access to information in practical terms will help to foster greater accountability and transparency and contribute to the empowerment of individuals in all spheres of life in Mongolia.



# Definition of Indicators

**Adult literacy rate.** This is the ratio of literate people over 15 years olds to population of over 15 years.

**Crude birth rate.** Annual number of births per thousand population. **Crude death rate.** Annual number of deaths per thousand population.

**Economically active population.** All persons of either sex who supply labour for the production of economic goods and services as defined by the United Nations System of National Accounts. According to this system, the production of economic goods and services should include all production and processing of primary products, whether for the market, for barter or for their own-consumption, the production of all other goods and services for the market and, in the case of households that produce such goods and services for the market, the corresponding production for own-consumption.

**Gross domestic product.** The total output of goods and services for final use produced by an economy, by both residents and non-residents, regardless of the allocation to domestic and foreign claims. It does not include deductions for depreciation of physical capital or depletion and degradation of natural resources.

**Cross national product.** The total output of goods and services produced by the nationals of the particular country. This is calculated by adding to the total value-added income received from abroad for factor services, and deducting payments made to non-residents who contribute to (the domestic economy).

**Immunization rate.** Calculated as a ratio between children of under 1 year age covered by the Universal Child Immunization Programme to total number of children of that age.

**Infant mortality rate.** The annual number of deaths of infants under one year of age per thousand live births.

**Life expectancy at birth.** The number of years a new-born infant would live if prevailing patterns of mortality at the time of birth were to stay the same throughout the child's life.

**Maternal mortality rate.** The annual number of deaths of women from pregnancy-related causes per 100 thousand live births.

**Primary education.** Education at the first level which provides the basic elements of education. In the case of Mongolia, primary education includes grades 1-3 of the general educational institutions.

**Purchasing power parity.** The purchasing power of a country's currency - the number of units of that currency required to purchase the same representative basket of goods and services that a US dollar would buy in the United States.

**Secondary education.** Education at the second level, which provides specialized and/or general instructions. There are 2 levels in Mongolia. The first level comprises grades 4 - 8, and graduates from the 8th grade are considered as having general secondary education. The second level comprises grades 9 - 10 of the general educational institutions and specialized vocational training institutions, and graduates from these institutions are considered as having completed secondary education or specialized education.

**Share of population with sanitation access.** The percentage of population with reasonable access to sanitary means of excreta and waste disposal including outdoor latrines and composting.

**Under-five mortality rate.** The annual number of deaths of children under age five per thousand of live births.

**Unemployed.** A person is considered as unemployed if they are older than 16 years, and if they have not engaged in paid employment or self-employment, and if they have registered at the labour bureau as actively looking for work.

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# Appendix: Statutory Provisions for Human Development

Since the communist revolution, many legal and constitutional provisions in Mongolia have been consistent with the main human development objectives. The problem was that there did not exist any mechanism for society to ensure that the state honoured those 'paper' provisions. The separation of state power, and the associated checks and balances, was formally subsumed under the communist party, the Mongolian People's Revolutionary Party. This system created little accountability and thus afforded little protection of individual rights vis a vis the state.

Substantial legal and constitutional reforms have been made since transition, it has not been possible to comprehensively study the many pieces of new and revised legislation that could possibly define the boundaries of action to promote human development. This is an important area for further work, especially in terms of assessing implementation of laws, testing knowledge at different levels of society of rights and provisions, assessing coverage with respect to different groups and issues, and checking for consistency and harmonization between legislation. The situation has been changing rapidly. A guide to the main provisions is given below.

## Education

Education - free compulsory primary and secondary education [Article 16/7, Mongolian Constitution; the Education Law 1995; the Primary and Secondary Education Law 1995; Higher Education Law 1995]; universal basic education, including those children with special needs, such as the physically and mentally handicapped [Government Resolution 19, 1995; the International Covenant on Economic, Social and Cultural Rights, Article 13 part 2 (a), signed by Mongolia in 1976]; the notion of education as a means to self-fulfillment, as well as that of society as a whole [Resolution 36, 1995 of the Mongolian Parliament]; the establishment of the 'Education Control Committee' to monitor education issues [Government Resolution 191, 1995]; provisions for parental choice and the involvement of local authorities [Government Resolution 46, 1995]; provisions for adults and children who have not attended school or have dropped out [Government Resolution 55, 1995]; declaration of 1996 as the Year of Education to further implement the Educational Law, and to raise public awareness in the media and provide feedback to the government [Government Resolution 158 (10)]; government support for the artistic and cultural development of children, and improve educational materials [Mongolian President's Decree 119, 1995]; equality of rights to education regardless of nationality - including citizenship, race, language, religion, political and other views, gender, economic and social background [United Nations Education, Science and Culture Convention (Article I), to which Mongolia joined in 1964].

## Health

Health - a range of publicly provided services in prevention, diagnosis and treatment of illness, including free primary care (through public hospitals, clinics, ambulance and family practitioners), free care of expectant mothers and mothers with a baby, free treatment for infectious diseases, illness resulting from natural calamities, injuries incurred through saving the lives of others, and free vaccinations [Article 16 (6) of the Constitution]; a partnership between Government, health insurance organisations, citizens and various private entities for health provision [Health Insurance Law 1993]; the right to be protected from the loss of ecological balance, and to live in a healthy, unpolluted area [Mongolian Constitution]; reduce mother and child death, promote healthy working conditions, and combat epidemic [International Covenant on Economic, Social and Cultural Rights, Article 17 (2) signed by Mongolia in 1974]; provisions for the rights and responsibilities of AIDS patients and health authorities [Law on AIDS Prevention, 1993]; provisions for smoking and alcohol related health issues [Law on Tobacco Hazards, 1993; Law on Fight Against Alcoholism, 1994]; food safety issues [Law on Food, 1995]; rural primary health care via family practitioners [Government Resolution 150, 1995]; issues relating to epidemiological research, pharmacology and biopreparations [Government Resolution 192, 1995].

## Employment

Employment - affirmation of the right to work [Article 17 (2), Mongolian Constitution]; freedom of choice in employment, safe working conditions, employment protection, non-discrimination in pay (especially for women), acceptable hours of work, holidays with pay, labour related social protection, promotion based on experience and qualification [Declaration on Human Rights Article 23 and Article 24; International Covenant on Economic, Social and Cultural Rights, Part 7]; right to private entrepreneurship [Article 16 (4), Mongolian Constitution]; the rights and duties of employers and employees, minimum remuneration, holidays, holiday remuneration, reimbursement, bonus, the responsibility for developing policies and regulations to labour contract, dismissal, terms of work and safety at work. [Labour Law, 1991]; labour rights of public sector workers and civil service [Law on Government Service 1994] issues related to contracting foreign labour, and expatriate Mongolian workers [Government Resolution 409]; the Labour Control Committee to oversee implementation of labour laws.

## Poverty and Social Security

Poverty and Social Security - provision of four funding windows for poverty alleviation activities [National Poverty Alleviation Programme. Government Resolution 230 Part 2(b), 1994]; to reduce poverty by increasing employment, to define and implement a unified policy on reducing unemployment and the creation of a stable labour market [National Unemployment Alleviation Programme, Government Resolution 219, 1993; World Summit on Social Development (23), Copenhagen]; to address female

poverty through employment promotion, skills and education provision, primary social services to poor single mothers and their children, and tackling gender issues [Government Resolution 145, 1996]; the extremely poor are those with income per person below 40 per cent of the minimum living standard declared by the government [Article 3 Part 3, Social Welfare Law, 1995]; citizens in extreme poverty, families with low incomes, and single parents with many children, are guaranteed basic needs such as food, simple clothing, consumer goods, and vocational training under the social assistance fund [Government Social Care Service Law, Articles 2 and 3, 1995]; low income households with 4 or more children under the age of 16 (whether born or adopted), and low income single parents with two or more children under the age of 16, are entitled to benefits under the social welfare fund [Law on Provision of Benefits and Pensions from the Social Insurance Fund 1995]; child allowance for mothers from extremely poor families for three months after birth [Law on Provision of Benefits and Pensions, Article 8]; elderly people below the poverty line are entitled to 50 per cent of rent, heating, water, and sewage costs [Law on Allowances and Attendance for Elderly People. 1995].

### **Political Freedom**

Political Freedom - declaration on human rights [Mongolian Constitution, Article 18 Part 3]; freedom of speech, press, meetings, and expressing views [Mongolian Constitution, Article 16 Part 16]; freedom to spread and receive information and ideas through the media, oral and written forms, regardless of state boundaries [Declaration on Human Rights, Article 19 Part 2]; freedom of association [Law on Procedures of Demonstrations and Gatherings 1994]; freedom of religion [Mongolian Constitution, Article 16 Part 15]; guarantee of the right to believe or not to believe in any religion, to pray alone or with others, to conduct ceremonies and teachings, and prohibition of any form of religious discrimination or activities causing dissension between religions [Law on the Relationship Between the State and Religion, 1993]; the right to vote directly representatives to the legislatures on a free and fair basis, by secret ballot [Mongolian Constitution Article 21]; the right to a fair trial by jury, participate in the legal process, be acquainted with the evidence, make a defence, and appeal [Law on Administrative Responsibilities Article 9 1992]; the people's right to participate in state activities directly or indirectly [Mongolian Constitution Point 9 Article 16]; rights to get all information except state secrets [Mongolian Constitution Point 17 Article 16]; the State has to guarantee economic, social, judicial and other grounds to provide human rights [Mongolian Constitution Point 19 Section 1]; right to form a party or an organization according to social and individual interests [Mongolian Constitution Parts 9 and 10 Article 16]; relationship between NGOs and government [Government Law Part 3 Article 27; NGO Law 1997]; regulations for a referendum [Law on Public Opinion Poll].

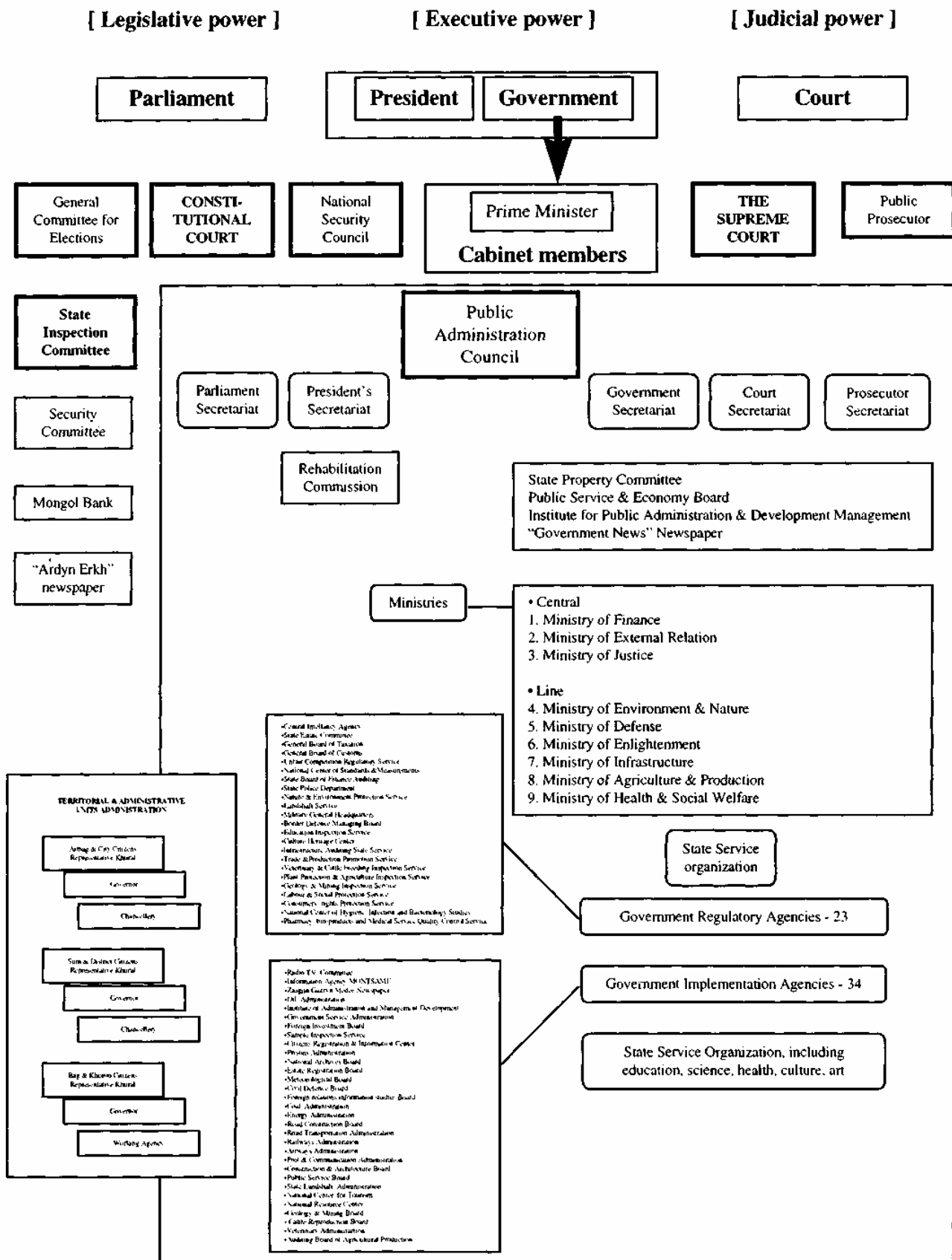
### **Public Finance**

Public Finance - the national budget is under parliamentary approval [Mongolian Constitution, Article 38]; the budget is divided into central budget expenditure and local budget expenditure [Law on the Budget, 1992]; central budget expenditure includes expenditure for capital investment, expenditure to develop science and technology, expenditure to protect the environment, rehabilitate natural resources, and conduct geological research, expenditure on state organizations, expenditure on national defence, expenditure for education, health, and physical training organizations financed from the state budget, expenditure for loans, interest and foreign debt, expenditure on government, national debt, other expenses to be financed from the State budget according to the legislature [Law on the Budget Article 11, 1992]; local budget expenditure includes expenditure on capital investment, expenditure to protect the environment, rehabilitate natural resources and to conduct local geological research, expenditure for education, science, art, culture, health and sports financed from the budget of regions and cities, expenditure for local administration and local organs, other expenditures are constituted under law [Law on the Budget Article 12, 1992].

### **Governance**

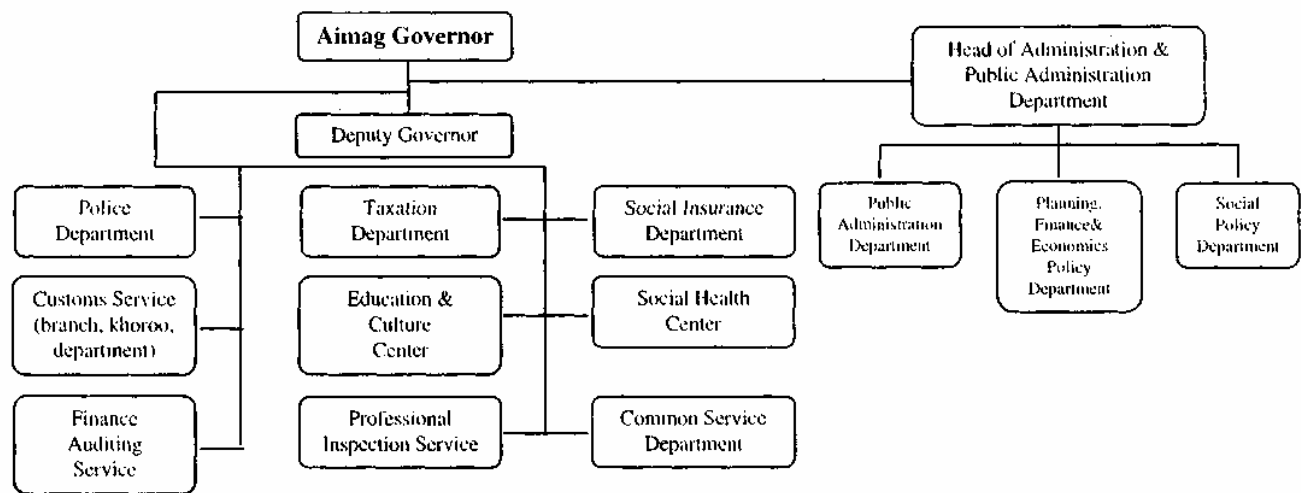
Governance - legal provision for the activities of the State Ikh Hural, Government and judicial institutions [Law of the State Ikh Hural 1992; Law on Government 1991; Law on Courts 1993]; all legislative powers are vested in the State Ikh Hural, including all law making and amendments to the constitution [Mongolian Constitution Article 20]; the State Ikh Hural is responsible for considering draft laws, exerting control on the implementation of laws and regulations, and establishing the legal basis and organisation of state executive and judicial institutions [Mongolian Constitution Article 25]; the State Ikh Hural appoints the Prime Minister and members of the government in consultation with the President and the Prime Minister [Mongolian Constitution Article 25], has the power of impeachment [Mongolian Constitution Article 35], and has the right to express 'no confidence' in the government [Mongolian Constitution Article 43]; the tenure of the government is 4 years, the same as the State Ikh Hural [Mongolian Constitution Article 40]; the Mongolian Government is the highest executive body of the State, and has responsibility to implement laws and decisions of the legislature, report on its activities to the State Ikh Hural, work out a united policy of science and technology; present the fiscal budget, undertake national debt planning, promote national development, protect human rights and liberty, fight against crime, and implement national foreign policy [Mongolian Constitution Articles 38 and 39]; the judiciary is an independent branch of State authority, the Court has the sole power of impeachment, the State Ikh Hural establishes - and can dismiss - lower courts for aimags, capital, soums with the mutual agreement of aimag Governors and the judiciary's General Council [Law on Courts Article 5 1993]; the President is the Head of State and symbol of people's unity [Mongolian Constitution Article 30]; laws and decisions made by State Ikh Hural, resolutions of government and President's orders are to be made public via the media under the supervision of the Prime Minister's Information Agency [Law on State Ikh Hural Article 53; Law on Government Article 31 1991]; judicial hearings are to be held open to the public [Law on Courts Article 22 1993]; public consultation on key policy and constitutional change by referendum [Law on Opinion Poll].

# Structure of the Central Government of Mongolia



## ANNEX 2

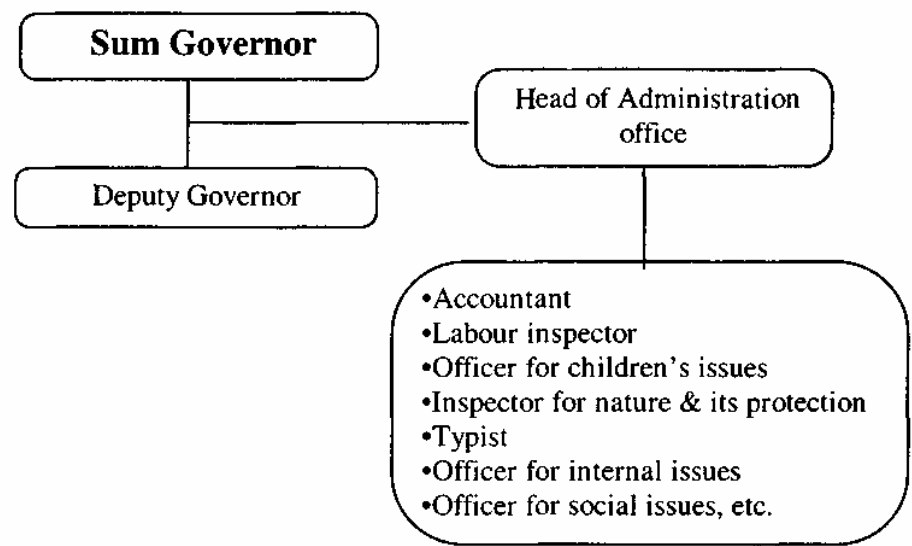
### Structure of Aimag Governors Administration



*Note: Administration Office of staff of Dornod, Uvkhangaig, Selenge, Tuv, Khovdsgul aimags - up to 60, Arkhangai, Bayan-Ulgii, Bayankhongor, Bulgan, Khovd, Uvs, GobiAltai, Darkhan-Uul, Khovd aimags - up to 55, Dornogobi, Dabdesobi, Umnugobi, Sakhuutuu, and Orkhon aimags - up to 50 and Gobi-Sumber aimag up to 30 personnel.*



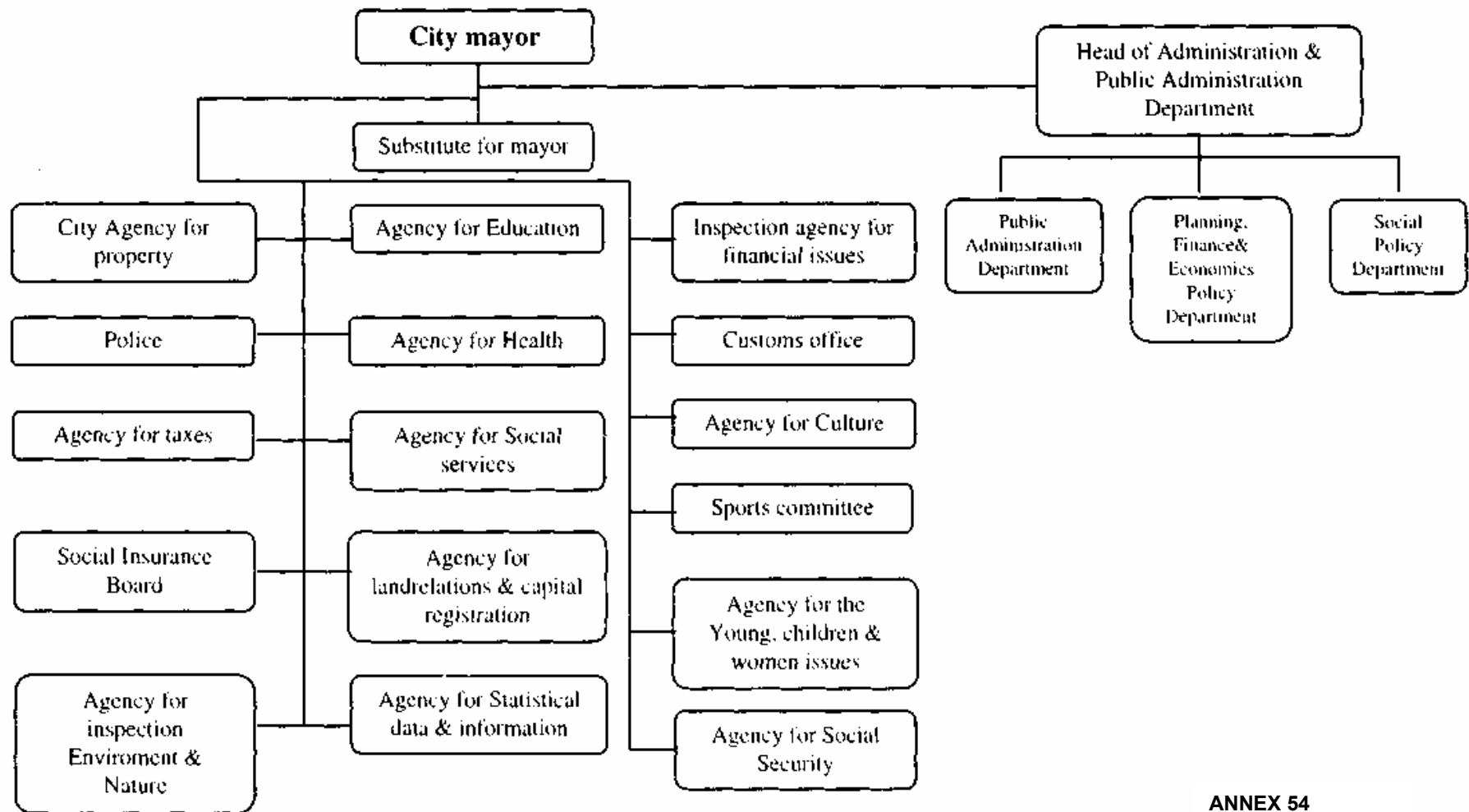
# Structure of Sum Governors Administration



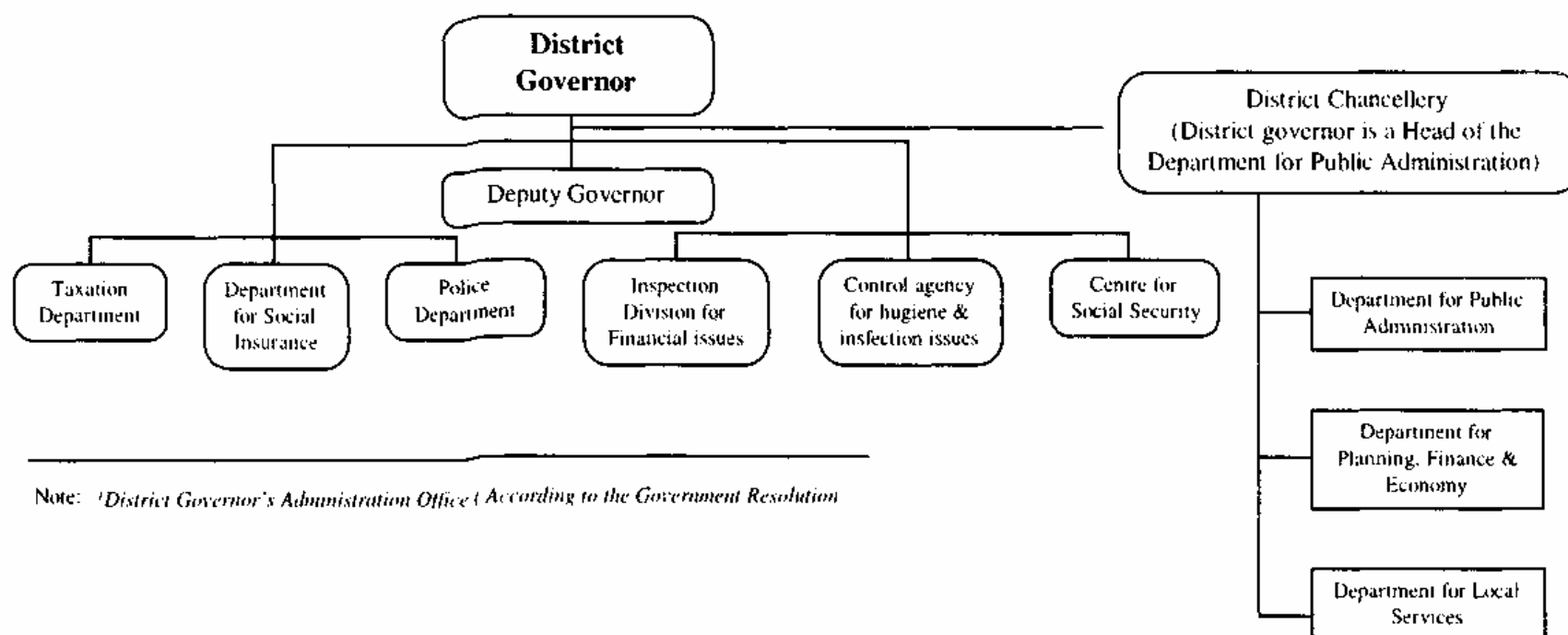
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Note: *Sum Governor's Administration Office ( According to the Government Resolution No.64)*

## Structure of City government



## Structure of District Governors Administration



Note: *'District Governor's Administration Office' According to the Government Resolution*

## ANNEX 6

## Aimag Human Development Index

	<u>Indicators included in Aimag Human Development Index (aHDI)</u>								<u>Indices using global HDR 1997 methods</u>				<u>Aimag Human Development Index &amp; its Components Expressed as % of Ulaanbaatar</u>									
	1st, 2nd, 3rd Level Gross Enrollment, %		Literacy Rate 15yr+, %		Life Expectancy, yrs		Household Income per person, Tg		Education Attainment Index		Life Expectancy Index		Education component, % of UB		Life expectancy, % of UB		Income component, % of UB		Aimag HDI, % of UB			
	1992	1995	1992	1995	1992	1995	1992	1995	1992	1995	1992	1995	1992	1995	1992	1995	1992	1995	1992	1995		
Ulaanbaatar	73.0	77.9	98.9	99.8	63.2	63.0	9942	111498	0.894	0.916	0.636	0.633	100	100	100	100	100	100	100	100		
Arhangai	42.6	44.9	97.1	98.4	63.2	64.4	3550	65354	0.782	0.798	0.637	0.657	87.4	87.1	100.2	103.7	35.7	58.6	70.2	80.1		
Bayan-Ulgii	39.2	49.6	97.4	97.4	63.7	64.6	3008	42637	0.772	0.807	0.645	0.659	86.4	88.1	101.4	104.1	30.3	38.2	68.0	72.5		
Bayanhongor	49.3	43.7	96.5	98.4	63.5	64.5	3653	104132	0.799	0.793	0.641	0.658	89.4	86.7	100.8	103.9	36.7	93.4	71.5	93.6		
Bulgan	48.3	52.7	97.4	98.4	65.5	65.8	5524	58730	0.802	0.823	0.675	0.680	89.7	89.9	106.2	107.4	55.6	52.7	80.4	79.6		
Gobi-Altai	49.5	44.0	96.6	98.4	64.4	65.7	7365	82324	0.801	0.795	0.656	0.678	89.6	86.8	103.1	107.0	74.1	73.8	86.9	86.7		
Dornogov	53.7	56.3	97.6	99.1	63.4	63.9	9534	68870	0.821	0.840	0.640	0.648	91.9	91.8	100.6	102.2	95.9	61.8	95.7	82.6		
Dornot	56.4	60.7	96.5	97.2	60.1	61.5	5079	66089	0.823	0.842	0.586	0.609	92.1	92.0	92.1	96.2	51.1	59.3	75.9	80.2		
Dundgov	45.1	46.9	96.6	99.1	64.0	64.1	7097	74084	0.786	0.809	0.650	0.652	88.0	88.4	102.3	103.0	71.4	66.4	85.0	83.4		
Zavhan	43.0	44.9	96.9	98.5	62.3	63.2	5211	72126	0.782	0.798	0.621	0.636	87.4	87.2	97.6	100.4	52.4	64.7	76.2	81.7		
Uverhangai	42.0	40.5	96.6	98.4	62.6	63.3	4553	92298	0.776	0.783	0.627	0.639	86.8	85.5	98.6	100.9	45.8	82.8	73.6	88.3		
Umnegov	46.6	50.2	96.8	99.1	62.8	63.1	4301	64388	0.792	0.820	0.629	0.635	88.7	89.6	99.0	100.3	43.3	57.7	73.3	79.7		
Suhbaatar	51.6	47.5	95.3	97.2	65.3	66.1	5583	63884	0.799	0.798	0.672	0.685	89.4	87.2	105.7	108.1	56.2	57.3	80.4	80.7		
Selenge	57.1	62.5	97.8	98.2	63.1	63.3	6304	89857	0.834	0.855	0.636	0.639	93.3	93.3	99.9	100.8	63.4	80.6	83.2	90.2		
Tuv	51.0	23.8	97.0	98.2	63.3	63.7	8748	77881	0.808	0.727	0.638	0.645	90.4	79.4	100.4	101.8	88.0	69.8	92.0	81.2		
Uvs	47.7	44.8	97.0	98.5	63.9	64.4	5900	70103	0.798	0.798	0.649	0.656	89.3	87.1	102.0	103.6	59.3	62.9	80.6	81.7		
Hovd	46.5	48.2	97.5	98.5	64.3	64.6	5782	84559	0.797	0.809	0.655	0.660	89.1	88.4	103.0	104.3	58.2	75.8	80.4	87.4		
Huvsgel	45.1	44.5	97.1	98.4	60.6	61.7	2337	48639	0.790	0.796	0.593	0.611	88.3	86.9	93.3	96.4	23.5	43.6	64.0	72.3		
Hentii	51.4	51.1	96.8	98.6	64.2	64.1	4575	65821	0.808	0.820	0.654	0.651	90.4	89.5	102.8	102.8	46.0	59.0	76.0	80.9		
Darhan-Uul	57.5	57.0	99.0	99.3	63.9	64.0	7526	109101	0.843	0.843	0.648	0.650	94.3	92.1	101.9	102.6	75.7	97.9	88.9	97.0		
Orhon	50.0	67.3	99.0	99.3	62.2	63.6	10542	91826	0.818	0.877	0.620	0.643	91.6	95.8	97.4	101.4	106.0	82.4	98.8	91.9		

Source: Calculations based on SSO data

## ANNEX 7

### Poverty by Aimags (HBS Poverty Lines)

Aimag	% Population under Official Poverty Line							Aimag Share of Total Poor, %					
	1991	1992*	1993	1994	1995	1996	Change 1993-96	1991	1992*	1993	1994	1995	1996
Arkhangai	36.2	55.3	33.5	34.1	28.3	28.5	-5.0	10.4	n/a	8.6	7.6	8.3	6.5
Bayanulgi	39.4	38.7	21.1	23.7	13.0	20.6	-0.6	12.4	n/a	4.0	4.4	3.3	4.1
Bayankhongor	23.2	27.6	27.6	41.6	30.0	30.0	2.4	5.9	n/a	5.9	7.7	7.6	5.9
Bulgan	9.4	n/a	6.8	22.1	22.1	22.2	15.3	1.7	n/a	1.0	3.0	4.0	3.1
GobiAltai	23.3	19.1	23.3	10.8	19.5	19.5	-3.8	4.9	n/a	4.2	1.7	4.1	3.2
Dornogobi	6.7	3.3	5.7	7.4	12.9	12.4	6.7	1.0	n/a	0.7	0.8	1.8	1.3
Domod	6.9	n/a	38.7	47.6	22.8	25.9	-12.8	1.7	n/a	8.2	8.6	5.5	4.8
Dundgobi	10.3	10.0	15.5	12.0	8.4	9.4	-6.1	1.7	n/a	2.0	1.3	1.3	1.1
Zavkhan	13.5	n/a	15.7	18.8	16.0	21.1	5.4	4.0	n/a	4.0	4.3	4.8	4.9
Uberkhangai	15.2	3.6	31.2	32.1	24.2	31.0	-0.3	5.0	n/a	8.6	7.7	4.9	7.7
Umnugobi	10.6	n/a	13.8	18.2	10.4	41.9	28.1	1.5	n/a	1.6	1.7	1.3	4.2
Sukhbaatar	18.4	47.8	17.7	18.0	8.8	14.2	-3.4	3.2	n/a	2.5	2.3	1.5	1.9
Selenge	4.6	15.6	8.5	14.1	11.5	12.3	3.8	1.3	n/a	2.0	3.1	3.4	2.8
Tuv	7.2	n/a	17.0	15.9	17.5	18.9	1.9	2.4	n/a	4.7	3.8	5.5	4.6
Uvs	22.6	n/a	20.1	28.5	15.7	18.2	-1.9	6.5	n/a	5.0	6.2	4.6	4.1
Khovd	29.5	34.2	27.5	31.4	20.3	25.6	-1.9	7.7	n/a	6.0	6.1	5.2	5.1
Khuvsugel	13.8	19.2	18.3	18.4	23.3	35.2	16.9	4.8	n/a	5.3	4.7	8.0	9.3
Khentii	11.2	n/a	18.8	24.2	13.6	16.3	-2.6	2.6	n/a	3.5	3.9	2.9	2.7
Darkhan	2.5	4.7	17.0	14.2	13.3	15.0	-2.0	0.7	n/a	3.9	2.7	3.4	3.0
Ulaanbaatar	3.6	1.5	11.5	12.3	9.1	12.7	1.2	0.6	n/a	17.0	16.2	16.0	17.3
Erdenet	10.6	19.2	4.9	8.9	8.2	8.8	3.9	0.4	n/a	0.8	1.2	1.5	1.3
Gobisumber	11.2	9.2	20.3	31.6	33.5	38.2	17.9	19.7	n/a	0.6	0.8	1.2	1.0
<b>Mongolia</b>	<b>14.5</b>	<b>17.7*</b>	<b>17.8</b>	<b>20.2</b>	<b>15.6</b>	<b>19.2</b>	<b>1.7</b>	<b>100</b>	<b>n/a</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: Government of Mongolia

Note:

\* These figures exclude Bulgan, Dornod, Zavkhan, Umnogobi, Tov, Uvs, Hentii aimags for which poverty data were not available in 1992. Therefore the aimag share of total poor people could not be calculated for 1992.



## Annex 8

TABLE: LSMS AND HBS POVERTY LINES

	Rural		Urban	
	Poverty Line/ Tg	Food share % *	Poverty Line/ Tg	Food share % *
June 1991	125	48.5	210	49.2
Nov 1991	150	51.4	260	49.8
Jan 1992	166	39.7	297	43.7
Feb 1992	216	38.7	347	44.0
Dec 1992	650	55.8	990	69.4
May 1993	1040	68.8	1580	79.9
Dec 1993	2900	84.3	3200	70.6
Sep 1994	3700	70.1	4200	67.6
June 1995 (LSMS)	5146-6842		6415-8053	
Dec 1995	6900	69.3	8000	74.1
Feb 1997	9000-9720		10380-10400	

Source: Government of Mongolia; World Bank

(1996) Note:

1. The LSMS used nine separate poverty lines corresponding each of its sample areas, in 1995 Tugriks per capita per month: Arhangai aimag centre 6415; Arhangai rural 5146; Dornod aimag centre 6519; Dornod rural 5730; Omnogov rural 5760; Tov rural 6010; Hovd aimag centre 8323; Hovd rural 6842; Ulaanbaatar 8053.
  2. In 1997 the HBS poverty lines were increased from two to seven lines to reflect different prices in different groups of aimags. The poverty lines in 1997 Tugriks per person per month are: Ulaanbaatar 10400; Erdenet and Darkhan 10380; Hovd, Uvs, Bayan Ulgii Zavkhan, Gobi Altai 9720; Bulgan, Hubsugul, Arkhangai, Bayanhongor, Uvurkhangai 9420; Dundgobi, Gobisumbor, Umnogobi, Dornogobi 9340; Dornod, Hentii, Sukhbaatar 9250; Selenge and Tuv 9000.
  3. The food share column shows the proportion of the poverty lines accounted for by food items in the minimum consumption baskets.
- \* The non-food share is 100 minus the food share.

## Annex 9

### RESULTS OF ELECTIONS IN MONGOLIA

	State Ikh Hural (total 76 seats)	Little Hural (total 50 seats)	President
1990	MPRP (85% seats)	MPRP (31 seats)	P. Orchirbat
1992	MPRP (70 seats)	Abolished	
1993			P. Orchirbat
1996	DC (50 seats)		
1997			N.Bagabandi
2000	Elections		

Notes: The entry in the table identifies the majority party in the legislature, bicameral until 1992; MPRP is the Mongolian People's Revolutionary Party; DC is the Democratic Coalition consisting of the Mongolian National Democratic Party (MNDP, with 34 seats) the Mongolian Social Democratic Party (MSDP, with 13 seats), the Believers' Party (no seats) and the Green Party (no seats). Three independent candidate also align themselves with the DC.

### VOTER TURN- OUT, NUMBER AND % ELIGIBLE

Elections	Number	%
1990 State Parliamentary		95.0
1992 State Parliamentary	1,037,392	95.6
1993 President	1,025,970	90.4
1996 State Parliamentary	1,057,182	92.2
1996 Local Hurals	1,057,182	64.0
1997 President	982,640	85.1

Source: Election Commission; Ginsburg for 1990 data, EUI 1996/Q4 for 1996 local election data.

## literacy rate of over-15 year old

	1989		1992		1996	
	Female	Male	Female	Male	Female	Male
Mongolia	94.9	98.2	96.9	98.6	96.3	97.5
Aimags	n/a	n/a	n/a	n/a	94.8	96.6
Cities	n/a	n/a	n/a	n/a	99.0	99.1

Source: SSO for 1989 and 1992; Ministry of Enlightenment for 1996 Notes:  
Cities refers to Ulaanbaatar, Darkhan-ul and Erdenet

## Government Education Expenditure

	% of GDP	% of GNP	% of Total Public Expenditure	Per capital. 1993 Tg
1991	10.8	11.4	22.9	9380
1992	6.9	7.2	26.5	5354
1993	5.8	6.2	15.6	4265
1994	5.8	6.0	16.2	4328
1995	5.5	5.6	15.8	4275
1996	5.6	5.7	17.2	4426

Source: Calculations based on SSO Statistical Yearbook 1996

## Government Health Expenditure

	% GDP	% GNP	% Total Public Expenditure	Per capita, 1993Tg
1991	5.9	6.2	12.4	5080
1992	4.1	4.3	15.7	3180
1993	3.8	4.1	10.3	2813
1994	4.1	4.3	11.5	3057
1995	3.7	3.8	10.7	2900
1996	3.7	3.8	11.5	2954

Source: Calculations based on SSO Statistical Yearbook 1996

## Government Social Security &amp; Welfare Expenditure

	% GDP	% GNP	% Total Public Expenditure	Per capita, 1993Tg
1991	5.6	5.9	11.8	4808
1992	3.3	3.5	12.8	2580
1993	3.4	3.7	9.3	2541
1994	4.8	4.9	13.3	3544
1995	5.4	5.5	15.7	4249
1996	5.7	5.8	17.5	4521

Source: Calculations based on SSO Statistical Yearbook 1996

# Reference Indicators

## Basic Indicators

N°		1989	1990	1991	1992	1993	1994	1995	1996
1	Population, at the end of year, thou	2,095.6	2,149.3	2,187.2	2,215.0	2,250.0	2,2800	2,317.5	2,353.3
2	Labour force, annual average, thou	903.4	946.7	1,003.6	1,059.9	1,080.9	1,0893	1,103.1	1,124.3
3	Employees, at the end of year, thou	764.1	783.6	795.7	8060	772.8	786.5	794.7	•791.8
4	Unemployment, thou	-		55 4	540	71.9	74.9	45.1	55.4
5	GDP at constant prices 1993, bill. Tg	214.0	208.6	1893	171.4	1662	1700	180.7	185.5
5b	GDP per capita, at constant prices 1993, thou Tg	106.0	100.5	88.9	78.7	74.8	75.3	78.8	79.6
6	GNP at constant prices 1993, bill. Tg	191.5	186.8	1809	1669	154.6	159.4	169.8	174.2
6b	GNP per capita, at constant prices 1993, thou Tg	94.9	90.0	85.0	76.7	696	70.6	74.0	74.8
7	Investments bill. Tg.	4.8	3.4	4.0	5.3	45.2	622	91.5	102.4
8	Exports, mln.US dollar	721.5	660.7	3480	388.4	382.6	367.8	473.3	422.9
9	Imports, mln.US dollar	963.0	924.0	360.9	4183	379.0	258.4	415.3	438.3
10	Inflation rate, percent	-	-	52.7	325.5	183.0	66.3	53.1	53.2
11	Money in circulation, mln. Tg	581.1	742.7	2,003.0	2,896 4	10,786.0	21,804.8	29,755.7	46,095.8
12	Money M 1	3,505.0	4,749.9	7,313.7	7,640.2	18,548.0	32,871.2	42,636.5	64,301.6
12b	Money M2	5,082.9	5,633.1	9,914.8	13,0523	42,764.0	76,777.0	102,044.6	128,395.3
13	Budget revenue, including loan, mln. Tg	6,901.6	5,495.0	6,497.2	11,916.4	54,843.0	86,131.4	144,622.9	159,154.1
14	Budget expenditure, mln. Tg	7,0623	6,812.3	8,929.3	12,360.8	61,662.0	101,326.1	149,349.9	174,192.9
15	Gross industrial product 1993 prices, bill. Tg.	344.5	324.9	259.6	220.6	191.9	199.1	222.9	217.4
16	Gross agricultural output, 1993 prices, bill. Tg	113.5	109.3	101.2	95.2	91.1	96.3	102.7	104.8
16b	Livestock, 1993 prices bill. Tg	79.1	79.3	78.9	77.1	69.9	80.0	87.8	92.3
16c	Crop, 1993 prices bill. Tg	34.4	29.9	22.3	18.1	21.3	16.3	15.0	12.5
17	Livestock, mln. head	24.7	25.9	25.5	25.7	25.2	26.8	28.6	293
18	Freight turnover all types of transport, mln. tkm	8,068.9	6,971.6	4,380.9	3,3209	2,805.2	2,283.3	2,437.1	2,685.4
19	Passenger turnover (all transport), mln. pass, km	2,102.9	2,056.1	1,958.1	1,956.5	1,572.7	1,676.8	1,424.2	1,541.1
20	Total construction and installation work, mln.	2,899.1	2,636.6	3,010.0	3,076.1	15,043.0	24,374.2	35,771.2	50,511.0
21	Housing stock, by living areas thous. sq. in	5,264.9	5,530.4	5,735.2	5,901.6	5,976.3	6,061.9	6,126.1	6,200.7
22	Pupils and students, start of academic year,	537.1	516.2	467.5	426.5	409.4	425.2	456.5	482.7
23	Number of physicians	5,715	6,180	6,132	6,053	5,911	5,848	5,682	5,987
24	Number of hospital beds, thous.	242	26.4	26.0	24.2	23.4	22.9	22.2	23.1



## National Level Human Development Indicators

	1985	1989	1992	1995
Profile of Human Development				
Population with access to health services, %		95.0	95.0	95.0
Population with access to safe water, %				
-rural			89.9	89.9
-urban			46.1	46.1
Population with access to sanitation, %			74.0	74.0
Daily newspapers (copies per 100 people)	11	13	1	2
Televisions (per 100 people)		6.6	68	6.2
Life expectancy at birth, years		63.0	63.3	63.8
Adult literacy rate, %		96.2	97.7	96.2
Combined 1st, 2nd, & 3rd level gross enrollment ratio,	82.1	75.7	54.3	57.1
Real GDP per capita (PPP \$)			2389	2391
Profile of Human Deprivation				
Population without access to safe water, mln		500	500	672.4
Population without access to sanitation, mln			600	600
Illiterate adults (age 15 and above), thou		69.9	30	15.8
Illiterate females (age 15 and above), thou		41.9	30.7	30.7
Children not in primary school, thousands	0.2	6.3	33.9	35.2
Children dying before age five, thousands	7.9	6.8	5.6	3.5
Underweight children age five, %				2.8
Rural Urban Gaps				
Rural population as % of total	46.5	43	43.5	48.1
Rural-urban disparity in services (100=rural-urban)				
- Safe water			58	58
- Sanitation			47	47
Child Survival and Development				
Pregnant women aged 15-49 with anemia, percentage				15.9
Births attended by trained health personal, percentage	99.8	99.9	93.5	86.6
Low birth weight infant, percentage				
Male				22.5
Female				17.6
Maternal mortality rate (per 1 00 000 live births)	147.7	124.3	20*3.2	185.2
Infant mortality rate (per 1000 live births)	75.9	64.1	59.5	44.4
Under five mortality rate (per 1000 live births)	27.1	20.7	17.1	13.2
Health Profile				
One years olds fully immunized against tuberculosis, %	55.0	92.0	87.Q	94.4
One years olds fully immunized against measles, %	66	86	88	85.2
AIDS cases			1	
Population per doctor	402	358	363	407
Population per nurse	217	197	214	289
Public expenditure on health as % of GNP			4.3	4.7
Public expenditure on health as % of GDP			4.1	4.5
Food Security				
Food production per capita index, (1989=100)	94.4	100	36.8	28.9
Agricultural production as % of GDP	14.3	15.5	30.2	36.7
Food consumption as % of total household expenditure	41.5	37.4	44.1	48
Food imports as of merchandise imports	9.4	7.4	6.4	9
Cereal imports, thousands of tons	17.1	2.3	-	0

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	1985	1989	1992	1995
<b>Education Imbalances</b>				
Pupil teacher ratio				
-Primary	30	30	23	25
-Secondary	22	20	18	18
Secondary technical enrollment as % of total secondary	16.4	12	9.9	7.1
Tertiary natural and applied science enrollment as % of total tertiary	3.5	3	9.7	8.8
Tertiary students abroad as % of those at home	18.6	20.1	14	4
Scientist and technicians (per 1 000 people)	3.3	3.7	3.1	1.6
Public expenditure on				
-Education as % of GNP			7.2	5.6
-Education as % of total government expenditure			26.5	15.8
-Primary and secondary education as % of all levels	51.2	51.6	52.3	56.7
-Higher education	17.3	15.4	15.2	17.9
<b>Wealth, Poverty and Social Investment</b>				
Income share:				
-Lowest 40% of households, percentage				18.1
-Ratio of highest 20% to lowest 20%			1.6	5.6
Social security benefits expenditure (as % of GDP)	3.9	3.8	3.3	5.4
<b>Employment</b>				
Labour force (as % of total population)	42.8	45.8	49.5	48.4
Women's share of adult labour force (age 15 and above)	50.5	49.3	47.8	47
Percentage of labour force in				
-Agriculture	37.2	32	36.1	44.6
-Industry	15.4	16.1	16.6	8.5
-Services				21.6
Earnings per employee (1992=100)				1570
<b>Resource Flow Imbalances</b>				
Total expenditure debt				
-billions, Tugriks	2339.7	1431.4	810	42700
-as % of GNP	28.7	15	1.8	11.4
Exports as % of imports	62.9	74.9	92.9	131.6
<b>Growing Urbanization</b>				
Urban population (as % of total)	53.5	57	565	51.9
Urban population annual growth		2.4		1.6
Population in cities of more than 500 000				
-As % of total population	26.5	26.8	26.7	24.3
-As % of urban population	49.5	47	46.8	51.4
Largest city population growth rate		2.2		1.5
<b>Demographic Profile</b>				
Estimated population, thousands	1900.6	2095.6	2215	2317.5
Annual population growth rate		2.5		1.6
Crude birth rate	38.2	36.4	29.1	23.7
Crude death rate	10.3	8.4	8.4	7.3
Total fertility rate	5.5	4.6	3.4	2.7
Contraceptive prevalence rate any method, percentage				59.5
<b>Women and Health Security</b>				
Maternal mortality rate (per 100 000 live births)	147.7	124.3	203.2	185.2
Index (1985=100)	100	84.2	137.6	125.4
Total fertility rate	5.5	4.6	3.4	2.7
Index (1985=100)	100	83.6	61.8	49.1

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	1985	1989	1992	1995
Women and Economic Opportunities				
Economic activity rate (age 15 and above)				
Female, percentage	50.4	50.6	50.6	50.7
Female as % of male	98.4	97.7	97.6	97.2
Occupation				
Administrative and managerial				
-Female share		18.7		18.7
Professional and technical				
-Female share		61.6		
-Female as % of male		62.4		
Clerical and sales				
-Female share		35.7		
-Female as % of male		180.1		
Services				
-Female share		55.4		
-Female as % of male		80.5		
Women and Political Participation				
Parliamentary				
- seats held by women			4	7
- share of seats held by women, percentage			5.2	92
Women in Changing Society				
Female child economically active rate (% age 10-15)			1.2	1.4
Women's average age at marriage, years			20	20
- as % of men's			83	83
Fertility rate (per 1000 women age 15-49)	34.8	30.2	50.8	32
Female headed households, percentage			7.2	8.3
Women and Capabilities				
Adult female literacy rate		94.3	96.9	98.9
Adult female literacy as % of male		94.2	98.3	99.9
Gross enrollment ratio				
Primary school age	97.1	97.1	81.5	85.1
Female as % of male	96.7	96.1	96.1	100.1
Secondary school age	92.6	93.9	67.7	61.1
Female as % of male	105.4	105.2	125.1	131.8
Tertiary level age	35.7	22.5	12.5	17.5
Female as % of male	153.8	143.5	165.9	221.2
Female 1st, 2nd, 3rd level combined gross enrollment ratio	85	78	58	63
Female life expectancy at birth	66.14	66.14	64.99	65.43
Natural Resources Balance Sheet				
Land area(1 000 km2)	1566.5	1566.5	1566.5	1566.5
Forest and woodland (as % of land area)	5	9.7	9.7	9.9
Arable land ( as % of land area)		0.5	0.9	0.2
Forest area burned by fire (1000 ha)	33.3	6498	390.7	130
Annual rate of deforestation		1.65		-30.75
Production of fuel wood and charcoal (1000 m3)	2236.1	1521.1	854.8	631.2
Internal renewable water resources per capita (1000 m3)	18.2	168	15.6	14.4
Annual fresh water withdrawals (as % of water resources)	270	289	296	300
- per capita (m3)	47.7	50.8	36.3	39.9

	1985	1989	1992	1995
Energy Consumption				
Production coal as % of national energy reserves	74.0	84.0	86.7	83.2
Commercial energy production average annual growth rate, %		5.8	-4.5	-9.8
Commercial energy consumption average annual growth rate, %		4	-9.6	-9.9
Commercial energy use per capita, kw hours	1495.9	1767.5	1345.2	894.9
Commercial energy imports (mill, kw. hours)	153	158	102	380
National Income Accounts				
GDP, billion Tugriks 1993 prices	172737	214028	171365	180775
Agriculture as % of GDP	14.3	15.5	30.2	36.7
Industry as % of GDP	31.8	32.7	32	28.8
Services as % of GDP	12.9	13.4	12.9	11.8
Consumption				
Private, %	53.2	56.7	62.2	64.3
Government, %	27.6	30	29.8	24.7
Gross domestic investment as % of GDP	24.5	31.5	1.7	12.5
Gross domestic savings as % of GDP	56.4	46	34.2	19.9
Tax revenue as % of GDP	55.5	50.5	24.7	29.1
Central government expenditure	5700.9	7062.3	12360.9	147731
- as % of GDP	69.9	74	27	39.4
Exports (billions \$)	689.1	721.5	388.4	473.3
Imports (billions \$)	1095.5	963	418.3	415.3

Health Profile of Aimags								
	Maternal mortality per 100000 live births	Life expectancy /years	Infant mortality rate per 1000 live births		Low birth weight (<2.5 kg)	Physicians per 1 000 population	Hospital beds per 1000 population	Health expenditure per capita, Tg
Aimag	1996	1995	1996, SSO	1996, MoHIth	1996	1996	1996	1995
Arkhangai	7	64.40	27.7	31	191	1.51	7.8	456.3
Bayanulgi	3	64.55	38.0	43	359	1.36	7.7	512.6
Bayankhongo	7	64.48	41.5	43	219	1.34	7.8	530.4
Bulgan	1	65.80	20.2	20	16	1.64	9.2	317.5
GobiAltai	3	65.66	34.2	33	39	1.55	7.5	346.1
Dornogobi	3	63.85	46.4	48	65	2.24	14.9	408.5
Dornod	3	61.54	51.4	51	112	1.55	9.8	415.4
Dundgobi	1	64.13	38.2	39	69	1.88	9.2	453.0
Zavkhan	5	63.16	38.8	40	167	1.38	8.5	466.6
Uberkhangai	7	63.33	49.6	50	193	1.53	7.3	515.7
Umnugobi	2	63.10	34.2	33	63	1.65	8.9	250.6
Sukhbaatar	3	66.09	49.5	48	161	1.68	8.4	351.9
Selenge	1	63.32	35.5	40	44	1.42	7.6	733.6
Tuv	1	63.68	17.7	23	34	1.25	7.6	510.9
Uvs	7	64.38	43.0	46	113	1.47	7.6	606.2
Khovd	8	64.62	46.6	44	0	1.38	8.1	494.0
(Khvusugel	7	61.65	33.7	36	143	1.47	5.8	684.6
Khentii	4	64.07	40.1	43	65	1.48	10.4	586.0
Darkhan	3	63.97	45.6	44	105	2.68	8.4	549.3
Ulaanbaatar	12	63.00	46.7	43	611	516	14.5	5,136.2
Orkhon	2	63.55	26.4	26	67	3.12	6.5	409.0
Gobisumber			40.0	38	7	233	12.7	124.1
Mongolia	90	63.78	40.0	40	2843	2.57	9.9	14,741.9



### Education Profile of Aimags

Aimags	Literacy rate 15+ yrs, %	Primary gross enrollment, %	Secondary gross enrollment, %	Primary net enrollment, %	Secondary net enrollment, %	School drop- out numbers	Grade 4 completion rate, %	Grade 4 entrants aged 8 yr, %	Primary pupil- teacher ratio	Secondary pupil-teacher ratio	Education expenditure per capita, Tg
	1996	1996	1996	1996	1996	1996	1996	1996	1996	1996	1995
Arkhangai	97.2	97.5	47.5	88.2	45.2	2 474	72.7	82.7	24	17	699.4
Bayanulgi	94.3	106.5	50.5	86.2	45.5	2 536	69.5	68.5	22	14	750.8
Bayankhongor	94.6	99.8	44.8	93.6	41.9	1 804	71.2	95.4	22	16	601.5
Bulgan	96.4	105.1	60.3	95.5	56.1	915	85.3	88.2	22	16	586.2
GobiAltai	94.9	93.1	48.8	94.1	46.0	2 046	71.8	72.1	23	18	644.8
Domogobi	97.4	104.6	62.8	94.0	57.2	652	76.6	91.1	23	19	361.4
Domod	95.8	112.0	66.2	96.0	62.8	1 872	75.1	82.5	24	20	593.9
Dundgobi	94.0	96.8	48.3	92.1	45.7	1 062	68.5	91.9	26	15	405.5
Zavkhan	95.1	92.2	50.0	88.9	47.8	2 839	84.5	68.2	21	14	793.0
Uverkhangai	96.1	89.9	42.7	79.3	39.8	2 049	68.6	83.4	24	15	714.2
Unrugobi	94.4	101.3	51.8	90.8	48.0	929	77.6	94.9	24	16	551.2
Sukhbaatar	94.0	100.8	51.0	83.8	49.7	1 130	69.6	80.3	27	17	570.2
Selenge	97.4	123.1	77.3	89.3	68.2	992	86.2	82.7	23	20	1 185.9
Tuv	95.0	99.6	61.1	97.3	56.8	1 940	77.6	79.6	23	20	665.2
Uvs	96.4	92.6	47.9	86.4	45.7	2 587	72.4	76.6	23	17	598.3
Khovd	96.5	103.7	51.7	92.8	50.2	2 379	77.8	76.8	26	17	680.2
Khuvsgul	95.8	101.7	46.5	91.9	43.8	1 926	72.5	90.6	27	16	902.4
Khentii	95.6	100.8	58.8	97.6	54.6	2 232	73.4	89.4	24	19	553.8
Darkhan	98.7	108.0	62.6	98.1	56.9	987	81.5	99.7	23	18	699.1
Ukaabaatar	99.1	112.2	79.7	99.4	73.5	3 110	93.1	79.0	28	22	6 608.7
Orkhan	98.4	127.9	79.6	99.4	74.6	617	94.0	88.8	29	23	438.8
Gobisumber	97.7	104.6	69.6	98.4	64.9	231	80.1	95.4	23	20	172.7
Mongolia	96.9	104.5	61.1	93.4	56.9	34 117	80.6	81.8	25	18	19 762.6

### Unemployment and Poverty Profile of Aimags

	Unemployment rate, %	New Job Places	Employees, thous	Herders, numbers	Livestock, thousand head	% of population poor	Female-head households, number	Orphan children, number	Families with over 4 children, number
<b>Aimags</b>	<b>1996</b>	<b>1996</b>	<b>1996</b>	<b>1996</b>	<b>1996</b>	<b>1996</b>	<b>1996</b>	<b>1996</b>	<b>1996</b>
Arkhangai	5.4	571	39.5	34694	1725.1	28.5	1785	247	4237
Bayanulgi	10.2	2646	23.2	17527	1405.8	20.6	918	185	4088
Bayankhongor	9.1	532	33.5	28443	2233.1	30.0	2357	231	4480
Bulgan	7.8	807	23.2	15404	1202.6	22.2	883	82	1219
GobiAltai	7.4	563	29.0	23387	2087.2	19.5	1966	110	3089
Domogobi	5.9	330	15.5	7842	922.6	12.4	1124	61	1075
Domod	24.9	371	18.1	8700	594.2	25.9	1924	234	2741
Dundgobi	4.0	476	21.6	17532	1844.8	9.4	920	59	1588
Zavkhan	7.0	1314	43.7	31620	2474.5	21.1	2220	255	6608
Uverkhangai	7.1	1400	43.0	37632	2550.1	31.0	1495	170	3641
Unanugobi	4.5	239	16.5	14288	1320.8	41.9	1420	76	1377
Sukhbaatar	6.5	254	21.7	15637	1040.9	14.2	1095	107	2146
Selenge	9.6	1431	25.4	4967	506.6	12.3	1577	180	2643
Tuv	3.4	372	35.5	20942	1867.9	18.9	1884	159	3760
Uvs	4.3	723	34.8	26181	1764.9	18.2	2536	164	3836
Khovd	5.4	229	36.4	24946	1954.9	25.6	1691	208	4005
Khuvsugel	5.8	205	41.9	38248	1976.9	35.2	3412	400	4908
Khentii	7.2	119	25.1	16371	1150.5	16.3	1689	173	2778
Darkhan	5.4	276	28.5	2611	137.1	15.0	12020	138	1704
Ulaanbaatar	5.5	4790	182.6	4755	305.8	12.7	1765	811	16241
Orkhan	5.2	181	28.1	3327	123.1	8.8	1019	123	1351
Gobisumber	9.4	53	2.7	301	110.7	38.2	334	24	303
Mongolia	6.5	17882	791.8	395355	29300.1	19.2	46034	4197	77818